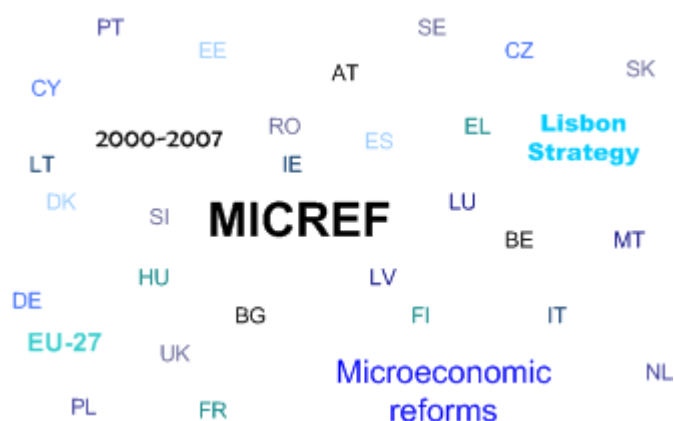




Overview of microeconomic reforms undertaken by EU Member States based on the MICREF database – 1. Volume

Dirk Zeitz



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**Overview of microeconomic reforms undertaken by EU Member States
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- 1. Volume**

Dirk Zeitz

Abstract:

The European Commission has launched in summer 2008 a database on microeconomic reforms - MICREF - that systematically collects data on the reforms undertaken by EU Member States in the context of the Lisbon Strategy. The present report for the first time provides a detailed description of the reforms by Member State and by year of adoption. This allows keeping track of Member States' efforts in the microeconomic area. A second objective of the report is to present the database's state in a compact form and to contribute to its further development.

Keywords: MICREF, Lisbon Strategy, Microeconomic reforms in the EU.

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1 Introduction

The European Commission has launched in summer 2008 a database on microeconomic reforms - MICREF - that systematically collects data on the reforms undertaken by EU Member States in the context of the Lisbon Strategy.¹ The database complements the LABREF database which focuses on labour market reforms.²

The present report complements the earlier work on the analysis of microeconomic reforms making use of the MICREF database by a qualitative dimension. Whereas earlier reports provided a rough overview of the reforms stored in the database including a description of the reform characteristics (Zeitz 2008) and an outline of indicators based on the features of the database (Zeitz and Loschky 2009), the objective of this paper is to offer a detailed overview of the reform measures undertaken by the Member States. The idea is to describe what actually has happened in EU Member States in the microeconomic area.

The qualitative investigation of the database's contents is a necessary step in order to achieve a better picture of the reform efforts undertaken by Member States. There is number of reasons for this:

- The individual reform measures stored in the MICREF database show a high variation in their potential impact and their potential economic significance. However, measures are often counted one by one regardless the potential economic impact. The fact that microeconomic reforms can have very different shapes is acknowledged, but this leads to the fact that one measure compiled for a particular Member State (or policy field) may not be comparable with a reform measure for another Member State (or policy field).
- But, even if all measures had a comparable economic impact a further problem relates to the way in which data collection was organised to fill the database. The information stored in the database mainly stems from reports that Member States submit to the European Commission in autumn. Earlier periods (2000-2004) have been covered in so-called Cardiff Reports, while since 2005 Member States produce in three-cycles National Reform Programmes, and implementation reports in the two subsequent years. Although, there is some degree of harmonisation, those reports show differences in the way measures are reported. Those Differences range from the issue what is considered to be a relevant reform measure to the question at which level of detail reform measures are described in the reports.

¹ The database is accessible via
http://ec.europa.eu/economy_finance/db_indicators/db_indicators10938_en.htm.

² LABREF can be found under
http://ec.europa.eu/economy_finance/db_indicators/db_indicators8638_en.htm

As a consequence, the use of an indicator like the number of reform measures per country is not an optimal indicator to compare the reform activity across Member States. Counting measures assumes that all measures are comparable, over policy field, Member State, and time. While the latter (over time) is likely true, it is less likely fulfilled for comparisons across policy fields and Member States. An analysis of the reform activity should therefore be complemented by a qualitative description of the actual reform measures recorded in the database. This is attempted in this report.

A further objective of the present work is to provide feedback on the content of the MICREF database for its future developments. It shall provide an impulse to further complete and expand the coverage of the dataset and enhance the comparability of data entries. In future, this report could be continuously updated, taking on board more recent and more detailed information. Currently data are fully available for the period 2004-2006, whereas there are gaps for the periods before and after that period.³ Nevertheless, one year ahead of the 10th anniversary of the launch of Lisbon Strategy the present report highlights the main reform steps in the microeconomic area undertaken by Member States.

The report is organised as follows: in section 2 we briefly provide some background on microeconomic reforms, in section 3 we describe the main features and the current structure of MICREF and its coverage. Section 4 provides detailed descriptions of the reforms currently available in the public database by Member State and by year of adoption. In section 5 some issues for further development of the database are discussed. Section 6 concludes.

2 Background - microeconomic reforms

Microeconomic reforms are an important factor for future growth and jobs because they aim to create an economic environment which increases economic growth and efficiency, either by removing distortions in individual sectors of the economy or by reforming economy-wide policies with an emphasis on economic efficiency. They lay thereby the base for sustainable future growth.

The definition of microeconomic reforms allows for different “types of reforms” and areas in which microeconomic reforms can be carried out. Under the scope of MICREF product market reforms and interventions in the knowledge-based economy are considered, but also measures in areas such as tax policy and competition policy (rather than other goals such as equity or employment growth). The database also includes measures to reduce administrative burdens or to influence the ratio of government expenditures to gross national product.

Product market reforms and interventions in the knowledge-based economy are the main productivity drivers in the microeconomic area. The Directorate for Economic and

³ As of July 2009.

Financial Affairs (2005) set out the following channels through which product market reforms and reforms in the knowledge domain unfold their impact:

Product market reforms

The Lisbon Strategy aims at opening up product markets to competition in particular by completing the internal market for goods and services, by removing obstacles to competition in Member States and by creating a business environment more conducive to market entry and exit. The reduced barriers to cross-border flows of products and production factors as well as the associated increase in price transparency across Member States reinforce competition pressures within the EU and contribute to higher productivity levels and greater external price competitiveness via three main channels:

Allocative efficiency: Increased competition in a given market through product market reforms reduces monopoly rents, which translates into lower prices. As prices move closer to marginal costs, distortions in the structure of production are corrected and total output is raised towards levels closer to the social optimum.

Productive efficiency: Competition has a corrective effect on the behaviour of managers and workers, leading to greater efficiency in the organisation of work. Opening up of markets may yield increases in productivity through returns to scale and also improves opportunities for technology transfer and affect positively the rate of adoption of new technologies.

Dynamic efficiency: Stronger competition may also provide an increased incentive for producers to invest in product and process innovations if the potential gains from innovation show higher ex-innovation rents.

Reforms in the knowledge domain

According to the Lisbon Strategy reforms in the knowledge domain should increase the capacity of the EU to innovate, produce, and use new technologies which in the long-run should lead to increased growth rates:

Investments in education and training: A loss in production capacity due to longer school education might be offset by an increase in human capital which raises future productive potential, resulting in a net gain.

Investments in R&D and innovation: Investments in R&D and innovation are a main driver of productivity growth as they can contribute to the creation of new markets or production processes, lead to incremental improvements in already existing products and production processes and increases the country's capacity to absorb new technologies.

Production and use of ICT: In light of the extraordinary productivity increases in the ICT sector, overall productivity growth can partly be explained by the degree of specialisation of countries in ICT production. However, substantial productivity gains and new business opportunities can also result from the use of ICT in other sectors, notably in services.

3 The structure and coverage of the MICREF database

3.1 Structure

The MICREF database is thematically organised around the three major policy domains: i) open and competitive markets; ii) business environment and entrepreneurship; and iii) knowledge-based economy. These domains correspond to seven broad policy fields: 1) market integration; 2) competition policy; 3) sector-specific regulation; 4) start-up conditions; 5) business environment; 6) R&D and innovation; and 7) education. Each broad policy field is subdivided into specific areas of policy intervention which are in turn subdivided into reform areas. However, leaving out some policy areas, the purpose is not to give a complete overview of all existing government activities that may be interesting from a Lisbon perspective.⁴

The unique feature of MICREF with respect to other databases on microeconomic reforms is that it registers changes in regulation opposed to the stock of regulation in a given sector (such as for instance the OECD does). Thus the database keeps track of actions and changes made by the EU Member States in selected fields of reform activity.

Each measure stored in the database can be described a set of descriptive features that aim at specific features of the design of a reform.⁵

3.2 What is a microeconomic reform?

In order to track EU Governments' activities criteria are needed to define the activities that should finally be considered in the database. Naturally, there are different "types" of measures and different standpoints from which reform measures could be defined. Member States agreed to consider the following categories of reform measures for the inclusion in the database (see MICREF user guide):

A structural reform measure: This category of measures aims to change the behaviour of economic agents with a view to influence the supply side of the economy. Structural reform measures are of a certain magnitude ex ante, both in terms of size and coverage.

A general measure: This category includes initiatives that are of a similar type as the structural reform measures but smaller in size and possibly designed with other main objectives in mind, albeit with relevant side effects.

⁴ The MICREF user guide is available under:
http://ec.europa.eu/economy_finance/publications/publication13022_en.pdf

⁵ See MICREF user guide and Zeitz and Loschky 2009 for a more detailed discussion on the descriptive features related to the design of reforms.

An implementation measure: In addition to new initiatives, also measures entailing clear changes in the implementation framework of previously adopted reforms may be relevant to report. For example, if in one year a reform package is introduced but then in following years the terms of the package are substantially changed this should also be reported.

An important step in the implementation process: This category includes actions that are important steps in the implementation of a significant measure from previous years. This could for example be a step in a multi-year tax reform plan or the start / completion of a section of an investment strategy. It could of course also include the abolishment of a previously reported initiative.

Criteria for inclusion

The adoption of a reform measure is the most important criteria for inclusion since the MICREF database shall list **only adopted reform measures**. Adoption means that the reform measure has been finally approved by the relevant decision-making body and therefore the measure is ready to be implemented. Thus, the database should not record information on discussions of possible / planned reforms or law bills not yet formalised.

Furthermore, the reform measures recorded in the database should likely have a significant impact on the three policy domains “open and competitive markets”, “business environment and entrepreneurship” and “knowledge-based economy”. Since it is very difficult to measure the potential impact of a reform, in practice a measure is considered to be significant if it has been reported by Member States’ authorities in the National Reform Programmes or in its Implementation / Progress Reports.

3.3 Current coverage of the database

Table 1 provides an overview of the measures currently available in the public version of the MICREF database (1289 measures). As of July 2009 it covers reform measures for the period 2004-2006 for all EU Member States and for a number of Member States (AT, EL, ES, PT, SE and UK) also reform measures for further years of adoption.

Table 1 Current coverage of the MICREF database

	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007
AT	4	9	13	8	8	10	13	0	65
BE	0	0	1	0	11	19	21	0	52
BG	0	0	0	0	6	4	12	0	22
CY	0	0	0	0	9	12	13	0	34
CZ	0	0	0	1	12	13	12	0	38
DE	0	0	0	0	12	13	22	0	47
DK	0	0	0	0	19	14	15	0	48
EE	0	0	0	0	7	6	8	0	21
EL	3	5	9	4	6	18	18	0	63
ES	13	21	26	25	12	12	29	0	138
FI	0	0	0	0	8	12	15	0	35
FR	0	0	0	0	14	16	13	0	43
HU	0	0	0	0	10	15	30	0	55
IE	1	1	0	2	10	14	9	0	37
IT	1	1	0	0	12	8	12	0	34
LT	0	0	0	0	26	10	7	0	43
LU	0	0	0	0	10	6	9	0	25
LV	0	0	0	0	7	10	22	0	39
MT	0	0	0	1	9	10	7	0	27
NL	0	0	0	0	5	10	15	0	30
PL	0	0	0	0	13	9	13	0	35
PT	4	12	11	19	16	15	13	1	91
RO	0	0	0	0	1	4	13	0	18
SE	8	13	8	8	4	13	11	0	65
SI	0	0	0	3	16	5	30	0	54
SK	0	0	0	2	11	10	10	0	33
UK	20	12	24	7	11	7	16	0	97
Total	54	74	92	80	285	295	408	1	1,289

Before being published on the web reform measures undergo a verification or validation phase undertaken by Member States' authorities.

4 Description of reform measures by Member State

In this section the reform measures currently stored in the MICREF database are described. The description is made by Member State and by year of adoption of the reform measure.

4.1 AT - Austria (2000-2006)

Table 2 Reforms in Austria by policy field and by year of adoption

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	0	0	2	0	0	2		4
2001	1	0	3	1	2	2		9
2002	1	2	4	0	1	5		13
2003	2	0	3	0	3	0		8
2004	1	0	1	1	2	3		8
2005	0	1	1	0	5	3		10
2006	1	1	3	1	4	3		13
Total	6	4	17	3	17	18		65

In **2000** reform measures focused on the policy fields “sector-specific regulation” and “R&D and innovation”. In the electricity sector “Electricity Control Comp. Ltd.” was established which supervises the development in the electricity from 1 March 2001 on. Moreover, in February the opening up of the electricity market was decided by allowing all consumers of more than 20 GWH/a to freely choose the electricity supplier from

October 2001. Under the policy domain “R&D and innovation” an amendment to the Research Promotion Act provided for creation of the Council for Research and Technological Development. Moreover, an additional research allowance of 10 per cent for all further research (in addition to the existing 25 per cent) was introduced.

In the year **2001** we saw the establishment of the Federal Public Procurement Company was established. In the telecommunications sector with the adoption of the Austrian Telecom Act, a new regulatory institution for audiovisual media and telecommunication was founded and based on the Private Radio Act, 23 broadcasting licences for a 10 year period were issued. In the field of energy, the licence to operate a settlement agency for transactions and pricing of balancing energy was granted. In the area of “business environment and entrepreneurship” we saw the abolishment of registration fees for start-up companies, the set up of an ICT board aimed at elaborating an ICT strategy for the federal Government, and a reform of the economic assistance provided to enterprises. Moreover, the adoption of the E-Commerce Law, and the IT 4 her initiative aimed at enhancing the use of ICT in Austria.

In **2002** regulations on public procurement were reformed. This reform was gradually phased in first on the federal level, in 2003 in the Länder and the municipalities. The reform regulated the public procurement for the range below the EU threshold values. Important steps were taken in the area of “competition policy”. The Competition Act that went into force 1 July 2002 established the Federal Competition Authority. Moreover, the Cartel Act was amended and a Federal Cartel Attorney was installed at the Ministry of Justice. A number of measures was carried out in the area of “sector-specific regulation”. The Ordinance on Universal Postal Services that came into effect on 1 March 2002 gave for the first time service parameters to the Postal service as universal service provider. The amendment of the Austrian Gas Act in 2002 comprised the major changes of the EU Directive for Gas (2003/55/EC, June 2003) and furthermore an amendment to the Natural Gas Industry Act (Gaswirtschaftsgesetz, Fed. Law Gaz. No 148/2002) of 23 August 2002 provided, among others, for the establishment of an independent regulatory authority for natural gas. Finally, by means of the amended Trade Act the access to several professions was facilitated. In the policy field “R&D and innovation” fiscal incentives for private R&D were enhanced by raises of the research allowance and the research bonus. Moreover, a number of thematic research initiatives, the FIT-IT and the protec-2002+ programme were adopted.

In **2003** reform efforts in Austria focused on “business environment and entrepreneurship” and “open and competitive markets”. Measures in the policy field “market integration” were the amendment of the Federal Law on ministerial competences in order to improve transpositions of internal market Directives and the establishment of an implementing authority in form of a Commission. A number of measures were also adopted within particular economic sectors. The 2003 Shop Opening Hours Act provided the possibility to open shops up to 72 hours per week, if approved by the provincial governor in consideration of local needs. Moreover, the Parliament decided on the creation of a more competitive structure of the Austrian Railways. In the area of telecommunications the relevant European set of Directives was fully transposed into

national law. In the area “business environment and entrepreneurship” Step I of the 2004/2005 Tax reform was adopted to provide incentives for own capital. Moreover, aimed at the rationalisation of public administrative services the Administrative Innovation Programme VIP 3 was launched. This programme aimed at reducing administrative burdens for enterprises. A third measure in the area “business environment and entrepreneurship” was the establishment of the e-government platform consisting of representatives of all levels of government and private and public institutions. The platform laid down the implementation framework and the objectives of e-government.

In May **2004** the e-procurement-regulation went into force governing the electronically based creation and delivery of offers in the area of public procurement. In June 2004, Austria implemented the European Commission’s Directive for Electricity (Directive 2003/54/EC, June 2003) by an amendment of the Electricity Act, that concerned the unbundling of the network from other parts of the value chain (generation, trading, retail) in order to guarantee a non-discrimination of all market participants which are not affiliated with the network operator. In order to facilitate the start-up of new entrepreneurs the double equity funds were established that double the private equity provided by investors by a credit from the AWS (Austrian Wirtschaftsservice). In the field of “business taxation” the reduction of corporate income tax was adopted in 2004. Beginning in 2005 the corporate income tax rate decreased from 34 per cent to 25 per cent while broadening at the same time the tax base. The Austrian e-Government Act came into force in March 2004. In the policy domain “knowledge-based economy” Austria carried out a reform of the institutional setting of the RTI promotion system. The Austrian Research Promotion Company (FFG) was established as the main Austrian state aid provider in the field of R&D-development in September 2004. The company merged four previously independent institutions. Moreover, the Offensivprogramm II was launched for 2004-2006 and with a budget of EUR 600 million.

2005 saw the reorganisation of competition law that adapted national competition law to the competition law on the European level. The Federal Competition authority (Bundeswettbewerbsbehörde (BWB)) took over the role of the Cartel Court (Kartellgericht) which was connected with a noticeable simplification of administration. An amendment in the field of competition regulation was the introduction of a leniency programme (as from 1 January 2006). As regards privatisations in 2005 the companies VA-Technologie and Voestalpine were (partly) privatised. In the area of “business environment and entrepreneurship” a comprehensive consolidation of the legal situation in commercial law was undertaken. Measures aimed at e-government were the foundation of the Digital Austria Platform and the establishment of the E-government Innovation Centre. With a view on the policy field “rationalising public administrative services” we saw the adoption of the Procedures Acceleration Act and the Public Administration Reform II which aimed at improving cost efficiency in public administration and public procurement. A number of measures provided fiscal incentives for innovative activities. Direct funding was provided via the doubling of federal funds for the Broadband Initiative (from EUR 10 to EUR 20 million) and the Research billion, which foresees an allocation of EUR 1 billion for the period 2005-2010 in order to achieve gross expenditure on R&D activities of 3 per cent of the GDP by 2010.

For **2006** the following reform measures have been collected. An amendment to the Austrian Procurement Law restructured and implemented the EU guideline package pertaining to public procurement. As regards professional services a stricter legal basis for chartered accountants was introduced that included a more stringent definition and expansion of the bank auditor's duty to report to the Financial Market Authority. A further measure as regards product markets was the liberalisation of the Medical Advertisement Law. In postal services we saw the issuing of 49 per cent of shares of the Austrian Postal Services. A number of reform measures were introduced in the policy domain "business environment and entrepreneurship". The SME Promotion Act 2006 included a promotion package for micro- and small-sized enterprises offering improved sources of finance, and furthermore provided measures in the area of taxation such as an allowance for profits that are reinvested in the company for persons and entities making use of the cash basis of accounting or deductibility of losses of the previous three years from 2007. In April 2006 the decision was taken to introduce the Standard Cost Model with the objective of reducing administrative burdens. The Cooperative Law Amendment Act 2006 introduced the opportunity to found a European Cooperatives Society which provides the prospect of lower administration costs and a legal structure suited to the internal market. The amendment act to the Vocational Law pertaining to notaries public, lawyers and civil technicians introduced an electronic business signature for notaries public, lawyers and civil technicians. It allows these professions to execute electronic documents within the scope of their professional work. In the policy domain "knowledge-based economy", 2006 saw the decision on the foundation of the "Institute of Science and Technology Austria", the establishment of the Taskforce ICT and the Competence Centres Programme COMET, which aims at achieving competence for excellent technologies as outcome of the cooperation between industrial and academic research.

4.2 BE - Belgium (2002, 2004-2006)

Table 3 Reforms in Belgium by policy field and by year of adoption

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2002	0	0	0	1	0	0	0	1
2004	1	0	8	0	1	1	0	11
2005	0	2	2	3	4	7	1	19
2006	0	0	3	3	3	10	2	21
Total	1	2	13	7	8	18	3	52

For Belgium the following reform measures were included in the MICREF database.

In **2002** Flanders the ARKimedes (Flanders) was mapped. ARKimedes aims at activating risk capital.

In the year **2004** a number of measures were carried out in the policy domain "sector-specific regulation". Among those measures was the set up of the Task Force Foreign Direct Investment which had the objective to increase FDI by creating incentives and

eliminating possible obstacles. Other reforms in this domain primarily targeted specific economic sectors. In the telecommunications sector a draft law implementing the EU regulatory framework in the national law was approved. Furthermore, the IPO of Belgacom, the national incumbent took place. After the IPO and reduction of shares, 55.3 per cent remained owned by the Belgian State. Also a partial privatisation took place in postal services, where the Danish National Postal Service and the UK investment group CVC Capital Partners acquired a stake (50 per cent -1 share) in the Belgian National Post. In April 2004 a law organising the gas market in Brussels was adopted and in terms of access to the distribution networks, the first regulated tariffs were approved by the federal energy regulator CREG in June-July 2004. Finally, changes to the regulatory framework in the railway sector were made. These changes involved the approval of the network statement that describes the state-owned rail network, the access conditions, the capacity allocation process, the services supplied to railway undertakings and the principles used in determining the infrastructure charge, and the separation of infrastructure management and provision of rail transport services. From 1 January 2005 the incumbent consisted of two public limited companies within the framework of a holding company: the parent company, called SNCB/NMBS-holding; the railway infrastructure manager, Infrabel; and the railway operator, NMBS/SNCB. In wholesale and retail trade the Commercial Establishments Act was adopted to simplify the procedure for granting a licence to establish or extend a retail outlet with a net surface area of more than 400 m². A concrete measure to reduce administrative burdens imposed on the business sector was the adoption of the Kafka Plan. This plan, put forward by the Secretary of State in charge of simplification contained 100 practical projects designed to reduce red tape. In the policy field “R&D and innovation” and in order to increase incentives for research activities the partial wage tax exemption (enforced in 2003) has been extended to researchers employed by scientific institutions. The percentage of the exemption was fixed at 50 per cent.

In **2005** the new Law on the Protection of economic Competition meant a comprehensive reform in the policy field “competition policy”. Staff levels at the Competition Council and the Competition Department were expanded. Moreover, the notification thresholds in case of mergers were increased. Further reforms under the domain “open and competitive markets” were the introduction of a long-term invoicing system designed to ensure transparent prices (gas) and better protect the interests of consumers as part of the Law of 1 June 2005 transposing Directive 2003/55/EC (most important changes introduced by the law are the concepts of natural gas transmission manager, natural gas storage installation manager, and LNG installation manager). This law provided also for greater transparency in prices for electricity transmission as to this end, the principle of multi-year invoicing (for 4 years) has been adopted. The act paved the way for the establishment of BELPEX, the Belgian electricity exchange, and provided for a specific tender procedure for the construction of generating facilities when security of supply is not guaranteed. Reform measures were also adopted in the area “business environment and entrepreneurship”. Targeted, in particular, towards start-up conditions were the establishment of single contact points for entrepreneurs (Flemish Community), the set up of the Belgian Knowledge Centre for SME Financing (BeCeFi), and the introduction of a micro-credit mechanism in Wallonia. In order to improve the quality of regulation the

Flemish Community launched a regularisation impact analysis. In the area of taxes a system of notional interest was adopted and introduced in 2006. The reform measure consisted of granting a reduction of the tax base for corporate taxation at a percentage of equity, based on the rate of 10-year linear bonds issued by the Belgian state. Business support services were strengthened by the stimulation of the framework for FDI. To this end the regional export and investment agencies were merged. Furthermore, in the Flemish Community an innovation audit service was launched that supports SME in the development of innovation plans and in assessing their innovation efforts. In 2005, also some reforms and measures were undertaken to address “R&D and innovation”. The Walloon Action Plan provided additional investment for research and innovation (EUR 150 million for the period 2006-2009) and moreover EUR 120 million for competitiveness poles in the Walloon Region. On the federal level the “Ideas Fund” (with a value of EUR 150 million) was launched to support economic innovation and scientific policy in Belgium in order to create employment. As regards fiscal incentives for R&D activities from 1 October 2005 the partial wage tax exemption was extended to companies paying or attributing remuneration to researchers assigned to research projects conducted under partnership agreements concluded with universities or higher education institutions. In December 2005 it was decided to extend this measure of partial wage tax exemption to all personnel (except administrative and sales staff) employed by young innovative companies that have been set up for less than 10 years, that are not resulting from a concentration, restructuration, extension or resumption of a pre-existing activity and that spend at least 15 per cent of their budget on R&D from 1 July 2006. The Walloon Region launched an excellence programme for nanotechnology and information technologies. A further fiscal incentive organised at federal level was provided through the allocation of the one-off innovation premium. In order to encourage a culture of innovation in the business world, the government introduced an exemption from personal tax and social security for innovation premiums granted to innovative workers. The exemption was limited to the year 2006. In the field of education around EUR 60 million (for 2005 and 2006) were allocated to upgrade basic infrastructures of technical schools.

2006 saw the reform of shop opening hours in Belgium that combined the existing Law on Evening Closing and the Law on a weekly Rest Day into a single law. In the electricity sector the Belgian electricity exchange (BELPEX) awarded the operating licence. In the telecommunications sector the industry regulator (IBPT/BIPT) obliged Belgacom to sell on the subscription, which should enable the other operators to replicate Belgacom offers, without having the same access network, offer their customers a single bill and propose innovative pricing schemes. With a view on the “business environment and entrepreneurship”, a number of measures were undertaken aimed at the provision of access to finance in particular for small enterprises. In the Brussels region these measures were the creation of “B2E” and the “Spin off in Brussels” programme. The latter programme offers funding for researchers founding a spin off company. In Flanders the “Win win loan” was created that replaced the former “friends’ loan”. Measures aimed at improving the quality of regulations were the establishment of a Round Table for modernising economic legislation and the optimisation of the Flemish regularisation impact analysis that was launched in the year before. A new voucher system for mentorship and knowledge acquisition in Flemish knowledge centres was introduced

worth up to EUR 5,000 per business for a period of three years. The business pays 65 per cent of the service itself and the Flemish Government makes up the remaining 35 per cent. 2006 saw a number of new launches in the area of “R&D and innovation”. To these measures belong the launch of the Hercules Fund (Flemish Community) offering funding to universities’ research infrastructure, the launch of the Odysseus programme to attract top foreign and Flemish expat researchers to the Region, and the launch of the Flemish Innovation Fund (VINNOF) which has been fully operational since 10 March 2006. Also in the Walloon region measures aimed at “R&D and innovation” were introduced, in particular new programmes for sectoral innovation such as the Wist 2 programme relating to information and communication technologies, the MINERGIBAT programme focussing on energy efficiency of buildings, and the excellence programme on oncology. Additionally the Walloon Region set up the Technology Promotion Agency to structure the landscape of technology transfer of research findings to the business world. Both regions created new competitiveness and competence poles. The Brussels Region launched the MISTRAL programme to promote innovation in SMEs. With the objective to inform SMEs about patent procedures and offer them the support they require the federal patent information project (Cellules info-brevets) was adopted in April 2006. Furthermore, since 1 January 2006, companies have had their withholding tax reduced (by 25 per cent) for researchers with a doctorate in exact sciences, applied sciences, medicine, veterinary medicine or civil engineering. In the field of “education”, the Post-Doctoral programme FIRST (Walloon Region) and the Methusalem programme (Flemish Community) were launched.

4.3 BG - Bulgaria (2004-2006)

Table 4 Reforms in Bulgaria

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
BG	2004		2		3	1	0	6
	2005		0		1	3	0	4
	2006		1		5	1	5	12
	Total		3		9	5	5	22

Bulgaria joined the EU in 2007. The MICREF database currently contains reform measures from 2004 onwards.

In **2004** the Bulgarian Telecommunication Company (BTC AD) was privatised and in the energy sector Directive 2003/55/EC on the common rules for the natural gas Internal Market in the EU was implemented. Measures in the area “business environment and entrepreneurship” were the project “Competitive start-up business creation”, which aimed at the creation of small enterprises, training of entrepreneurs and creation of new working places with a budget of EUR 3 million, and the project “Assistance for SMEs to obtain consultancy services” which was to raise the competitiveness of SMEs from the production sector, i.e. to prepare them to operate in the strongly competitive environment of EU, and to improve the business environment in which they operate. Moreover, the measure “Actions for the development and institutionalisation of clusters” fell under this

policy field. In the policy field “R&D and innovation” the Innovation Strategy for the Republic of Bulgaria was adopted.

The year **2005** brought the adoption of following measures in the microeconomic area. The project “Creating entrepreneurs’ skills and education in entrepreneurship” was followed by the project “Education in entrepreneurship”. Under the policy domain “knowledge-based economy” reform efforts included the following measures. For the purpose of effectively pursuing the policy in the area of innovations in the benefit of industry, a National Council for Innovations was set up as an advisory body at the Ministry of Economy and Energy. In 2005 also the National Innovation Fund was set up which finances scientific and applied research for manufacturing companies through grant schemes aimed at increasing the share of innovative SMEs. Moreover, a project started which aimed at the establishment of offices for technological transfer (OTT).

In **2006** Bulgaria’s reform efforts consisted of the following. In the gas sector initiated the restructuring of Bulgargas EAD. A number of reforms were carried out to improve the quality of regulations. Those measures involved the adoption of the administration procedure code that envisaged the establishment of an entire system of administrative jurisdiction, aimed at guaranteeing a more efficient legal defence of the rights and the legal interests of the citizens against illegal acts and activities of public administration. Furthermore, the “Law on the Commercial Register” provided for the establishment of a new electronic commercial register with the Registry Agency by transferring the existing commercial register kept by district courts. In 2006 the project “Creation and Maintenance of an Administrative Register” was started which aimed at providing the citizens and businesses up-dated, systematised, clear and easily accessible information about the regulatory regimes, administrative services and acts. Upon a proposal by the Council for Economic Growth (CEG) the Council of ministers adopted “Measures for Introduction of the Principles for Better Regulation”. Moreover, the “Law on the Amendment to the Law on Administration” and the “Law on the Amendment of the Law on Public Service” were adopted. Both laws intended to optimise the activity of the public administration, improve human resource development, and create efficient internal control of administration’s activities. 2006 saw also the set up of the Council for Protection of Intellectual Property. In the field of “education” a number of reform efforts focused in particular on the education of teachers, such as a model of career development and a reform of teacher’s qualification. Changes to the curriculum were the introduction of language and computer training and/or vocational training for all pupils in 8th grade and the development of short-term modules for acquisition of profession for the students leaving the educational system after graduating from 10th grade. In secondary education a system for monitoring, control and assessment of the degree of achievement of the state standards was established.

4.4 CY - Cyprus (2004-2006)

Table 5 Reforms in Cyprus

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
CY	2004	1	2	1	2	2	1	0	9
	2005	0	0	0	1	2	5	4	12
	2006	1	1	0	1	6	4	0	13
	Total	2	3	1	4	10	10	4	34

In **2004** the common external tariff became applicable in Cyprus from May onwards. In the field of “competition policy”, Cyprus enhanced the administrative capacity of the Commission for the Protection of Competition. Additionally, in view of Cyprus’ accession to the EU, the Public Aid Control Law and secondary legislation (implementing regulations) were amended on 1 May 2004. In the oil sector, the system for regulating oil prices was abolished by a new law that became effective in May 2004. In the area “business environment and entrepreneurship” two new schemes were launched. The first scheme providing government grants with a view to foster youth entrepreneurship was introduced in July 2004 to support activities falling within the sectors of manufacturing and e-commerce, as well as specific activities dealing with services and tourism. The second programme, for the “creation of new High-Tech and innovative enterprises” addressed individuals or small groups of individuals, who may apply for Government grant under this programme through an incubator company having a contract with the Government. In 2004, also the “National Strategy for e-Government” was drafted and in the area of taxation TAXISNET was launched that allows taxpayers-natural persons to submit initial tax returns by using electronic communication methods. In order to foster “R&D and innovation” an agreement was signed between the Harvard School of Public Health (HSPH) and the Republic of Cyprus for the establishment of a joint research institute based in Cyprus (Cyprus International Institute (CII)).

For **2005** most reforms have been classified under the “business environment and entrepreneurship” or the “knowledge-based economy” domain. In order to improve access to finance the loan guarantee granting facility was approved, to be introduced from 2007. Moreover, “entrepreneurship in education” has been set as theme as one of the main targets for the school year 2005-2006 onwards. In this context programmes and teaching material as well as relevant seminars to the teachers have been prepared. With the purpose of promoting Cyprus as a location for investments and business it was decided to set up the Cyprus Investment Promotion Agency (CIPA). Other reform measures focused on “knowledge-based economy”. Among those were the redirection of public funding for research institutions by reducing relatively their direct financial support, and increasing the funds that are available for the financing of competitive proposals. Furthermore, it was decided to establish the Cyprus Institute as a regional research and educational centre of excellence. In 2005 two measures addressed the mobility of researchers. The programme for “Collaborations with distinguished researchers abroad” was launched in February, and the mobility centre started its operations in September. In order to support the technological upgrading of SMEs the

implementation of a respective scheme started from April 2005. Further measures concentrated on the “education” field. In primary and secondary education, a programme for the improvement of infrastructure was launched and the educational curriculum was reformed to include the use of ICT tools. In the tertiary sector, the initiatives “Pupils in Research” and “Research Competition for Undergraduate Students” were introduced for promoting research culture within the educational system. Moreover, the “Law regulating the Establishment and Operation of private universities in Cyprus” was enacted.

A new legislation on public procurement was enacted in February **2006** implementing the EU Directives 2004/17/EC and 2004/18/EC. With the aim to further rationalise state aid, the introduction of a new evaluation system of state aid measures was approved. With the purpose of facilitating the start-up of new enterprises the Government decided to proceed with the upgrading of the operations of the one-stop shop (OSS). The OSS is in operation since 2 April 2007. In order to reduce regulatory and administrative burden a task force was set up that continuously monitors this issue. In the field of e-government a new Government portal was set up in September 2006. Within the public administration the amendment of the Public Service Law to accelerate recruitment procedures simplified and speeded up the procedure for filling vacant posts in the Cyprus Civil Service. Further reform efforts focused on the provision of business support services. These measures were the “Awareness” programme which offers training to SMEs for the development and utilisation of innovation opportunities, the “MENTOR” programme providing long term consultation for SMEs, and the decision to introduce a Business Incubators Accreditation System. In the area of the “knowledge-based economy” an increase of the overall spending for R&D (RPF Framework Programme) was decided, and the Regional Innovation Strategy for Cyprus (RISC) was approved. As regards intellectual property rights 2006 saw the amendment of the Patent Law, and the launch of EVRESITEHNA that aims at the provision of financial support to enterprises or individual researchers for patent registration.

4.5 CZ - Czech Republic (2003-2006)

Table 6 Reforms in Czech Republic

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
CZ 2003	0	0	1	0	0	0	0	1
2004	3	2	1	1	1	1	3	12
2005	0	0	2	1	2	3	5	13
2006	1	0	0	3	3	5	0	12
Total	4	2	4	5	6	9	8	38

In the Czech Republic the measure recorded for the year **2003** is the restriction as from 1 May 2004 of the scope of services of the incumbent in postal services (Ceska Posta).

For **2004** six reform measures addressed the “open and competitive markets” domain. The amendment of the Trade Licensing Act (in force since 1 May 2004) simplified the administrative requirements for nationals of EU countries, the European Economic Area

and Switzerland by transposing EC Directives (99/42/EC, 89/48/EEC and 92/51/EEC) on recognition of professional and other qualifications in the case of foreign citizens or legal entities who intend to settle down in the Czech Republic. Moreover, from 1 May 2004 the harmonisation of VAT and excise duties came into effect. In the area of public procurement on 1 May 2004 a new Act on Public Procurement (Act No. 40/2004 Coll.) entered into force, which newly regulated procedures that contracting authorities must follow and supervision in this area. On 1 June 2004 an amendment of the Act on the Protection of Competition (Act No. 340/2004 Coll.) entered into force. Its aim was to ensure implementation of the principles of modernised EC law and to allow the Office effectively to take part in the decentralized enforcement of community competition law within the European competition network. Furthermore, on 1 May 2004 an amendment to the Investment Incentive Act (Act No. 19/2004 Coll.) took effect, which incorporated the existing European rules on state aid. In the electricity sector, the Government adopted an amendment that brought the existing act into line with new EC legislation (i.e. with the Directive 2003/54/EC and main principles of the Regulation 1228/2003/EC). The main feature of this amendment was the legal, managerial and organisational separation of the providers of the transmission and distribution of electricity. Two reform measures were observed in the policy domain “business environment and entrepreneurship”. The Investment and Business Development Agency – CzechInvest was established by merging three already existing agencies: Czech Agency for Foreign Investment (CzechInvest), Business Development Agency and Agency Industry Development Agency (CzechIndustry). With a view on improving the quality of regulation, the Business Environment Development Council (BEDC) was set up in the beginning of 2004 as an expert inter-department advisory body for the Ministry of Industry and Trade. Fiscal incentives to carry out R&D activities were modified through the amendment to the Income Tax Act of January 2005 that allowed for deduction from corporate income tax base of additional 100 per cent in case that the taxpayer carries out precisely defined R&D projects. In the field of “education”, we saw a new Education Act which introduced a reform of curricular policy aiming at a transition from centrally-defined syllabuses to two-level curriculum. Moreover, the legislative framework providing for transmigration between study programmes of post-secondary vocational schools and bachelor degree programmes was adopted, and the four-year project PILOT G (2004-2008) was launched in order to test creation and implementation of educational programmes on selected upper secondary general schools.

In **2005** two reforms focused on “open and competitive markets” – the new Electronic Communications Act aimed at continuing the liberalisation of the market, strengthening competitiveness and decreasing prices for customers. An amendment to the Act on Postal Services abolished the necessity of requesting an approval to provide postal services and exempted the postal services where items are being sent abroad from the monopoly of a postal service licence holder. Concurrently the amendment transferred regulation powers from the former Ministry of Informatics to the Czech Telecommunication Office, which already regulated the area of electronic communications. In the “business environment and entrepreneurship” domain, regulatory activities involved the amendment of the Commercial Code, which facilitated and speeded up incorporation in the Commercial Register by using approved forms, the launch of administrative burden evaluation, and

the adoption of the methodology for assessment of regulation impact of new legislation. Three reforms were carried out in the field of “R&D and innovation”. As regards the allocation of public resource towards R&D the long-term main research directions (LMRD) were approved. LMRD define priorities in the most promising branches of research (i.e. those with the highest returns). Moreover, the transformation of research institutes to public research institutions was adopted and cooperation between research facilities and the private sector was encouraged. As regards the development of clusters, in November 2005 an increase of financial support in the programme promoting the establishment and development of clusters up to 75 per cent was endorsed. A number of reforms fall under the policy field “education”. In primary and secondary education an external monitoring and evaluation system was set up (Kvalita I) which provides mutual comparisons for primary and secondary schools and for pupils of the same age. School leaders will be informed about the outcomes of other schools. Furthermore, the National Plan of Foreign Language Teaching 2005 – 2006 was adopted. The system project PILOT S focused on creation and testing of pilot educational programmes at upper secondary technical and upper secondary vocational schools. Aimed at the tertiary sector, the Open Science project had the main target to build a direct connection between secondary school students and teachers and top research institutions, either via universities or via the Academy of Sciences of the Czech Republic (CR). Furthermore, in October 2005 the Technical and Economic University in Ceske Budejovice was established. As a public non-academic university it provides bachelor study programmes in South Bohemia region.

In **2006** the new Procurement Act, which came into force as of 1 July 2006, set the legal framework for the use of electronic instruments in a standard process of public procurement contracting. In the area of “business environment and entrepreneurship” the set of the one-stop-shops allowed entrepreneurs to manage all formalities necessary for starting a business or for changing their entrepreneurial activities at one place. Some regulatory changes related to bankruptcy proceedings. Transparency in such proceedings was to be improved through introduction of an Insolvency Register, open to public via Internet. Furthermore, in March 2006 a new Insolvency Act was approved, which came into force on 1 January 2008. Its aim was to improve the overall situation concerning insolvency proceedings. The Insolvency Act shortens the length of bankruptcy proceedings and is more helpful towards creditors. Under the policy domain “business environment and entrepreneurship” with the purpose to improve the quality of regulations, the initiative “Devote 10 minutes to improve legal environment in the CR” started. Moreover, it was proposed to launch a single economic register in 2010 integrating data on approximately 2.4 million economic entities in the CR and thus replacing a few tenths of systems. An amendment to the Act on Public Administration Information System, which came into force as of March 2006, regulates issuing of extracts from registers and authorised data from public administration information systems. On 3 July, a pilot project was launched that allowed taxpayers to check the balance of their personal tax account. In the area of the “knowledge-based economy” 2006 saw the increase of the State budget expenditures on R&D according to the adopted medium-term budgetary outlook. The management of the public research was affected by the establishment of the Government representative for European Research. His main

mission is to coordinate participation of researchers from both public and private sector on European Research. In August 2006 the Government decided to adopt the European Charter for Researchers and the Code of Conduct for the Recruitment of Researcher, based on a Commission Recommendations of March 2005. In the area of intellectual property rights a new system of electronic application filing was introduced on 1 July 2006.

4.6 DE - Germany (2004-2006)

Table 7 Reforms in Germany

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
DE	2004	1	1	3	3	4	0	0	12
	2005	0	2	4	3	1	3	0	13
	2006	1	2	0	1	12	4	2	22
		2	5	7	7	17	7	2	47

For **2004** the MICREF database stores the following reforms for Germany. In the area “open and competitive markets” we find the adoption of an “outline for a detailed restructuring of its procurement legislation” by the Federal Government of 12 May 2004. In the field of “competition policy” we saw the modernisation of Germany’s unfair competition legislation through the Act against Unfair Competition. In the telecommunications sector the Amendment of the Telekommunikationsgesetz (Telecommunication Act) based on five EU Directives came into force on 26 June 2004. In professional services two measures were carried out that contained provisions for the services performed by auditors. The Auditor Supervisory/Oversight Act placed the auditing profession in Germany, including certified public accountants and auditors who carry out statutory audits of accounting documents, under independent and final supervision and authority. The “Act to reform the Auditor Law” affected the examination procedure which is compulsory for prospective domestic members of the profession (auditor’s examination) and for foreign members (qualifying examination) to prepare them for the responsibilities exclusively reserved to the profession. In addition, seven statutory provisions were deleted and combined in a code of rules. A measure to reduce administrative burdens was based on EU-Regulation 638/2004. The declaration barrier for the obligation of intra European trade was increased from EUR 200,000 to EUR 300,000. The “Act to Introduce the European Company” which came into force on 29 December 2004 made it easier for companies throughout Europe to cross frontiers in their activities. A further measure to modernise regulations was the amendment of the Federal Building Code that simplified the structure of the construction supervision process and removed the need for duplicate checks on environmental issues. Moreover, the modernisation of the Workplace Ordinance gave enterprises more scope to develop occupational health and safety measures that correspond to their particular situation in the workplace. In June 2004 the Federal Government decided to continue and expand the “Modern State - Modern Administration” programme that was launched in 1999. This government programme focuses on modern administrative management, the reduction of bureaucracy and the development of an e-government infrastructure. Two measures to improve access to finance for enterprises were the “Act to promote Venture Capital” that

made investment in the early phase segment more attractive and the launch of a new BTU start-up fund as a follow-up of the venture capital programme for small tech companies.

In **2005** we saw inter alia reforms in the area of competition policy. The “7th amendment to the Act against Restraints of Competition” came into force on 1 July 2005 and adjusted German competition law. The amendment primarily implemented the procedural adaptations to European law required by EU Regulation 1/2003. The “Act Abolishing the Home Ownership Benefit” dated 22 December 2005 removed the individual fiscal subsidy with the highest volume from the federal budget for new cases. In the energy sector the “Second Act to Revise the Energy Industry Law” implemented in national law the EU Directives 2003/54/EC and 2003/55/EC. The Energy Industry Law made a clear distinction between that part of the network that is subject to detailed regulation in accordance with European requirements, and the areas competing upstream and downstream that are primarily still supervised by the cartel authorities. In the railways sector the First Railway Package (Directives 2001/12/EC; 2001/13/EC; 2001/14/EC) was implemented. As in 2004 another reform concerned the performance of auditors. The “Act to reform the Auditor Law” modernised, streamlined, and internationalised rules for access to the profession as set forth in the Auditor’s Code. Three reform measures aimed at “start-up conditions”. By introducing the “startothek” central information system on 1 January 2006, the Federation created a tool for “uniform contacts”, containing all requirements relevant to start-ups. The High-Tech Start-up Fund was implemented as a Public-Private Partnership by the Federation, the Reconstruction Loan Corporation (KfW) and several industrial enterprises. It promotes technology-based start-ups by providing share capital. The EXIST programme to support new businesses hived off from universities in the early phase (EXIST-SEED) was extended to the whole of Germany in January 2005. In the area of e-government, the Federal Government decided to implement the requirements of i2010, the European ICT strategy, by realigning its e-government strategy. Further measures were located in “knowledge-based economy” domain. The Pact for Research and Innovation provided for increases of the annual subsidies from the Federation and the Länder for the major science and research organisations (Max Planck Society, German Research Foundation, Helmholtz Association of German Research Centres, Gottfried Wilhelm Leibniz Scientific Association, Fraunhofer-Gesellschaft) by at least 3 per cent. The Excellence Initiative initiated an overall competition that comprised three promotion segments: graduate schools, excellence clusters to promote top research, and future concepts on project-related expansion of top university research. Total funding volume is EUR 1.9 billion from 2006 to 2011 (75 per cent Federation, 25 per cent Länder). The PPPs Acceleration Act was adopted to ensure that PPPs can be implemented better in terms of speed and legal certainty.

In **2006** obstacles in tax law to cross-frontier restructuring of companies were removed. In terms of state aid policies the Federal Government approved guidelines for the subsidisation policy and adopted the “Capital Investment Subsidy Law 2007” with the purpose of promoting initial investment projects in manufacturing firms, production-related services firms and the accommodation branch up to 2009, East German States and Berlin. In order to increase the number of entrepreneurs, grants were introduced to

promote new businesses established by persons previously unemployed. A number of reform measures were adopted so as to improve the quality of regulations. To this end it was decided to introduce the Standard Cost Model on Federal level, and to set up a National Regulatory Control Council in the Federal Chancellor's Office as an independent organ of control and consultation. Concrete laws adopted in this context were the first Act to Reduce Bureaucratic Obstacles and the Act to Accelerate Infrastructure Planning. Moreover, the Government approved the "e-government 2.0" programme. Within the public administration the Modernisation Strategy for the Federal Administration focussing on personnel, steering, organisation and e-government is worth mentioning. The main features of the Federalism Reform I adopted 7 July 2006 were: a) reform of the participation rights of the Bundesrat, b) reform of legislative competences, and c) clearer assignment of financial responsibility. Furthermore, in order to simplify the taxation system a number of measures came into effect. The Tax Amendment Act 2007 limited the standard travel allowance to long-distance commuters, increased the top rate of income tax on non-commercial earnings from 42 per cent to 45 per cent, and limited deductibility of home workrooms. The Act to Limit Abuse of Tax Accounting limited the 1 per cent rule to vehicles needed for business operations. Furthermore, there was a raise for the declining balance depreciation for investment in mobile commercial assets acquired or produced after 31 December 2005 and before 1 January 2008 from 20 per cent to 30 per cent. Business support services newly introduced were the programme "Support German companies on foreign markets" and the Federal Government SME Initiative that provided an overall framework for most of the measures described here. Reform efforts also focused on the "knowledge-based economy". A "Council for Innovation and Growth" was created and the "EUR 6 billion programme" was adopted. The funds from this programme were primarily intended for projects which promised to have disproportionately large effects in terms of additional R&D investment from the Länder and the business community, and hence exert a major mobilisation effect for innovation. The Federal Government's High Tech Strategy coordinated measures relevant to more than one innovation policy area in 17 high-tech sectors. Furthermore, it introduced new incentive mechanisms for cooperation between science and industry, taking particular account of SMEs, and provided aid in implementation in a union between the business and scientific communities. The research initiative "Building for the Future" was launched in 2006 with a budget of EUR 30 million for the period 2006-2009. In the field "education", the programme - A second chance for truants - a pilot programme to reintegrate truants and guide them to the school-leaver's certificate was launched. In the tertiary educational sector, the promotion of gifted students and recruits was reformed.

4.7 DK - Denmark (2004-2006)

Table 8 Reforms in Denmark

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
DK	2004	1	2	5	1	2	6	2	19
	2005	2	0	6	1	0	3	2	14
	2006	2	0	2	1	2	6	2	15
	Total	5	2	13	3	4	15	6	48

In **2004** Denmark set up the Task Force for the Internal Market (TIM). The aim of this Task Force was to assist in enhancing the efficiency of the internal market, e.g. by ensuring uniform conditions for competition. With a view on competition policy the Government presented its Competition Policy Action Plan 2004 designed to ensure that Danish competitiveness is brought on a par with that of the best-performing countries (Mere konkurrence - stoeffe vaekst). As a result of new provisions for the application of EU competition rules that entered into force on 1 May 2004, the Parliament adopted a number of amendments to the Danish Competition Act. Also some economic sectors saw regulatory reforms. In postal services under the new Act on the Conveyance of Mail (Lov om postbefordring), Post Danmark's exclusive right of conveyance of letters was reduced to letters weighing less than 50 grams (in force in 2005). In the electricity sector, the amendment to the Electricity Supply Act replaced the ex-post efficiency regulation by a price control. The price control of grid and transmission companies was designed to ensure that prices do not go up as a result of the release of the capital value of the companies. The regulation prescribed that the revenue of the companies cannot exceed the revenue obtainable at the price prevailing on 1 January 2004. Also in 2004, the Minister for Economic and Business Affairs concluded an agreement with the Association of the Danish Electricity Distributors (ELFOR) on the capital structure of the electricity sector and protection of the independence of the overall electricity infrastructure. As part of this agreement, responsibility for the system and for the electricity transmission network was transferred to the Government and the Government was granted a pre-emptive right - as well as a pre-emptive obligation - to purchase the regional transmission networks. In professional services craftsmen were allowed to carry out the same electricity, plumbing and heating tasks as those conducted by private individuals. Aimed towards "access to finance" in December 2004, the Government launched a new loan guarantee scheme targeting entrepreneurs, known as "Get started loans". On 17 February 2004, the Danish Government and the municipal authorities published a new e-government Strategy. The Strategy and the underlying Action Plan constitute the guidelines for the process of digitalisation until 2006. Aimed at improving the volume and quality of courses in the field of innovation and entrepreneurship at Danish universities and colleges the training for entrepreneurship, the Danish International Entrepreneur Academy, IDEA was founded. In 2004, the Government entered into a political agreement to set up a High-Tech Research and Development Fund, Fonden for Højteknologisk udvikling. Fiscal incentives to carry out R&D activities were enhanced by the extension of the 150 per cent tax deduction scheme so that small and medium-sized enterprises can obtain a 150 per cent deduction for their own research

and development expenditure when cooperating with public research institutions. Regional measures to promote innovation were included in action plan “Knowledge relocates - the path to high-tech regions” (Viden flytter ud - Vejen til højteknologiske regioner) which was launched in September 2004. In January 2004, the Government published its action plan “Handlingsplan for Offentlig-Partnerskaber”, setting out 10 specific initiatives. Among these initiatives is the introduction of a requirement to test all public-sector building and construction projects for their appropriateness to be organised as PPPs (public-private partnerships). Moreover, the Parliament passed a bill allowing public research institutions to establish and invest in commercial enterprises that are charged with commercialising public research with a view to increasing technology transfer. In 2004 the Government carried into effect a new initiative to promote partnerships between private enterprises and knowledge institutions. In the field “education” the reform of upper secondary school took place designed to strengthen the preparedness of students for academic study, while at the same time strengthening their competency levels. Moreover, in 2004 the Government decided to increase the allocations for research training from 2005, so as to increase the annual intake of Ph.D.-students (from 1,000 (2005) to 1,500 Ph.D.-students in 2006).

In the year **2005** a number of reform measures addressed “public procurement”. The amendment of Public Procurement Law changed that when the contracting authority uses the possibility of “direct procurement” and wishes to invite the maximum amount of tenders (4), one of the invited tenders must be from outside the region. Furthermore, the threshold for using the “direct procurement” was raised from DKK 2 million to DKK 3 million. The key objective of the revision of the Act on inviting tenders in the building and construction sectors was to save resources - for the tenderers (through enhanced transparency and increased legal certainty) and for the contracting authorities (by introducing more flexible procedures for invitations to tender and simplification of rules). In 2005 also the regulatory environment within some sectors was modified. In fall 2005, new regulation in the broadband market provided for some general improved conditions for competition and a reduction of the prices for interconnected traffic. In the area of postal services we saw the sale of 25 per cent of the shares in the postal service incumbent (Post Danmark). Alterations addressing competition limiting rules were made regarding land registration and registered surveyors, estate agents, and to the restaurant and hotel act. An amendment to the Shop Opening Hours Act further liberalised shop opening hours, in particular on Sundays. With the objective to increase private equity investments, in January 2005, the Government presented a venture capital action plan (Handlingsplan for risikovillig kapital). In 2005 also a number of reform measures took place in the area of the “knowledge-based economy”. A Globalisation Council was set up in April 2005 in order to advise the Government with a view to preparing a joint strategy to “develop Denmark into a leading growth, knowledge and entrepreneurial society”. Also a reform of the University Act took place. The purpose of this reform was to improve the framework and conditions thereby enabling the universities to strengthen their international competitiveness through quality development, strategic development, strategic efforts and prioritisations. In early 2005, the Government joined forces with the Greater Copenhagen Authority (HUR) to establish an IT Growth House in Orestad. It brings together students, new enterprises and development projects of existing

enterprises. Two further measures aimed at increasing the number of academics. In an amendment of the University Act (universitetsloven) from May 2005, a free place and scholarship scheme has been set up for the best foreign students at the universities in order to attract more highly qualified students from abroad to relevant courses. Moreover, the Government presented “More and better engineers” (Flere og bedre ingeniører), which describes a number of specific ways in which recruitment to engineering courses can be improved and how engineering courses can be improved.

In **2006** we saw following reform efforts in Denmark. In the area of “open and competitive markets” Denmark launched in January 2006 a general national standardisation strategy. The purpose of the strategy’s 10 initiatives is to ensure a better prioritisation of the standardisation effort, increased visibility as regards the standards’ importance for growth and higher efficiency in the development of international standards. A number of measures were introduced with the objective to increase competition in public sector within the framework of the Globalisation Strategy. Measures included: a) stronger competition for public projects, b) more assignments must be openly advertised, and c) municipalities and regions must assess how building projects are best organised. Reform measures in economic sectors involved the liberalisation of vessel piloting, and the increase of price transparency in dental services. In order to improve access to finance for companies a bill was passed in May 2006 so as to establish a new venture fund through a partial privatisation of the Vækstfonden (Growth Fund – a Government backed investment company). The relief of administrative burdens, including the reduction of the audit obligation for SMEs was continued in 2006. With the same objective, additional and improved digital solutions for the business sector were established. In the context of the adopted Globalisation Strategy (March 2006) a number of measures have been launched such as the Globalisation Strategy on innovation and knowledge dissemination, the Globalisation Strategy on public R&D, and the initiation of the Globalisation Fund. Chief initiatives in the Globalisation Strategy as regards publicly financed research: a) additional funds for public research; b) the share of public research grants awarded through competition must constitute 50 per cent of the total research grants in 2010 at the latest; c) grant procedure changes to increase the share of large and long-term research grants; d) preparation of a long-term strategy for investments and prioritisation of larger infrastructures with a special fund for its financing; e) systematic measurement and assessment of the Danish research quality; f) implementation of a reinforced initiative to promote Danish participation in EU framework programmes and other international research activities; g) sectoral research must be integrated into the universities to ensure that also this art of research is supported by the educational programmes; h) the number of Ph.D. grants and business Ph.D.s must be doubled; i) the universities are to establish elite educational programmes with particularly high educational standards and high admission requirements for very qualified students; j) the universities’ basic funding must be distributed according to quality and all university educational programmes must be evaluated according to international standards; k) concrete objectives for the utilisation of research results must be determined by the universities. Results must influence the amount of grants awarded to the individual universities. Main initiatives in the Globalisation Strategy regarding innovation and knowledge dissemination were: a) grants for innovation cooperation between enterprises

and research institutions are assembled in one fund with better possibilities to support a wider range of projects and networks; b) funds for the Authorised Technological Service Institutes are to be distributed in open competition to open up for other entrants to carry out technological service; c) on the basis of advice from the innovation environments among others, the research institutions must be able to finance the testing and documentation of the commercial potential of an invention (“proof of concept”); d) the participation of private enterprises in publicly financed research must be made easier; e) a programme for user-driven innovation must be established in order to gain new knowledge about customers and markets; f) a new internet-based market place for the purchase and sale of patents, trademarks and other rights is to be established; g) a strategy must be drawn up for Danish participation in large, strategic technology initiatives, which the EU is preparing as part of the 7th Framework Programme for Research; h) in connection with selected Embassies and trade offices abroad, special functions will be established for the contact to leading research, innovation and business environments in the specific countries; i) a Green Card scheme is to be introduced, enabling Denmark to get more qualified foreigners into the country. The Welfare Agreement initiated, moreover, a Globalisation Fund for increased investments in education, research innovation, entrepreneurship and adult vocational training which will gradually increase to DKK 10 billion in 2012. Furthermore, in the area of the “knowledge-based economy” a “quality barometer” was established in order to give an overall impression of the quality development of Danish research. Regional growth fora were established whose tasks include: a) preparing a strategy for the region’s trade and industry development based on the area’s strengths and weaknesses in the business structure and the central growth conditions; b) monitoring the regional and local growth conditions; c) developing and submitting recommendations for the co-financing of regional business development activities. As regards the use of ICT in public administration, in 2006 it has been decided that a number of measures are to be introduced to ensure ICT use by public authorities, including software, on the basis of open standards to as great an extent as possible. In the educational sector, reform measures introduced greater freedom on High School Programmes, and a new map of Denmark’s Universities.

4.8 EE - Estonia (2004-2006)

Table 9 Reforms in Estonia

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
EE	2004	1	1		1	3	0	1	7
	2005	0	0		0	2	2	2	6
	2006	0	0		3	2	1	2	8
	Total	1	1		4	7	3	5	21

For **2004**, the year in which Estonia joined the EU the following reforms have been recorded in the database. The new Metrology Act contributed to the approximation of Estonian metrological infrastructure, including the principles for the implementation of supervision, to those applied by respective EU institutions. The Corrigendum to the Competition Act provided that as of 1 August, abuse of dominant position and failure to give notice of concentration and concentration distorting competition shall be observed as

misdeemeanor. The Corrigendum also served as a tool for making certain amendments to the provisions of the Penal Code. Regarding access to finance a new Start-up Support Programme was launched in April 2004. Support services to businesses were strengthened, particularly by initiation of the Mentor Programme, the launch of the Business Infrastructure Development Programme, and the launch of the Export Planning Programme. In the “education” field the “Strategic Principles of Modernising Infrastructure for Higher Education, Science and Innovation” were adopted.

The enhancement of business support services continued also in **2005**. The Business Incubation Programme run by Enterprise Estonia and launched in 2005 supports the development of science/technology parks and business centres to their tenants. The Innovation Audit programme launched in 2005 by enterprise Estonia maps bottlenecks in different companies and on the basis of diagnostic exercise proposes ways to overcome these obstacles. Targeted towards R&D and innovation the Centres of Excellence start-up pilot programmes and the Innovation Awareness Programme were launched. In the field of “education” measures included the adoption of the “Strategy for Estonian Vocational Education System” and the development of R&D infrastructure for the training of researchers and top specialists in accordance with the “Research and Development Infrastructure Development Programme”.

In **2006** the focus of reform measures laid on improving start-up conditions. To this end the division of the start-up was decided into a) a growth grant for start-ups with high growth potential and b) a start-up grant for those who anticipate a stable turnover and contribute to the balanced economic growth by creating new jobs. Another measure in this area was the establishment of the Estonian Development Fund. In order to improve administrative procedures in a further step in developing the system of single contact points in Estonia registration of companies via Internet became possible from 1 January 2007. Moreover, an Estonian system of impact analysis was developed after pilot surveys were conducted and the Government of Estonia approved the guidelines on the Standard Cost Model in April 2006. In the “knowledge-based economy” domain the following measures should be highlighted. In 2006 the expenditures for R&D were significantly increased by 59 per cent with respect to 2005. In primary and secondary education the main goal of the approved e-learning development plan “Learning Tiger” for 2006-2009 plan was to develop e-learning associated with ICT and various content services related to e-learning, instead of focussing on hardware and software as before. In the tertiary educational sector post-doctoral fellowships were increased by 20 per cent.

4.9 EL - Greece (2000-2006)

Table 10 Reforms in Greece

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	0	1	1	1	0	0	0	3
2001	0	0	4	1	0	0	0	5
2002	0	0	5	1	2	1	0	9
2003	0	1	3	0	0	0	0	4
2004	0	0	1	0	2	3	0	6
2005	0	1	8	1	3	3	2	18
2006	1	1	7	1	3	3	2	18
Total	1	4	29	5	10	10	4	63

Currently MICREF covers a period of seven years for Greece.

In **2000** the role of the Competition Committee (CC) was enhanced by the full implementation of Law 2837/2000 permitting it to attain a more balanced distribution of its activities concerning the control of market power concentration, the monitoring of agreements and abuse of dominant market position, and harmonised practices (L703/77). In the telecommunications sector, Law 2867/2000, effective since 1 January 2001 constituted the new Framework Law in Greece for this sector providing, inter alia, a clear demarcation of responsibilities between the Ministry of Transport and Communications and the Regulatory Authority, the National Telecommunications and Post Commission (EETT). In terms of the provision of access to finance, the New Economy Development Fund S.A. (NEDF - TANEO) was established (Law 2843/2000 further amended by Law 2992/2002) as a VC “fund-of-funds”.

The reform measures collected for **2001** predominantly concentrated on the policy domain “open and competitive markets”. They comprised an additional public offering of shares of the Hellenic Telecommunications Organisation, the incumbent in the telecommunications sector. In the electricity sector the monopoly of the state was officially abolished on 19 February 2001 when all high and medium voltage consumers became eligible to purchase electricity from the supplier of their choice. Further measures involved an amendment to the legislation in maritime transport and the privatisation of the Football Prognostics Organisation (OPAP). Aimed at enhancing the start-up of companies bureaucratic and legal obstacles for setting up a company were scaled down by enabling a Public Limited Company with paid-up share capital of less than EUR 300,000 to register on a single day, without prior validation of its company statute by Public Authorities.

Also in **2002** reform efforts continued in the open and competitive markets domain. The telecommunications sector saw the introduction of a new telephone numbering system at the end of 2002. The advantage of the new system is that each customer can be provided with more than 80 telephone numbers. In June 2002, a Regulation was issued regarding the introduction of number portability in the Greek telecommunications market.

Moreover, the Reference Interconnection Offer (RIO) 2002 was adopted. In the electricity sector a number of steps of privatisations of the Public Power Corporation took place. The new oil market law (3054/2002) and a complementary Ministerial Decision (9840/2003) allowed all companies to import oil products directly, provided that they meet their stock holding obligation (facilitated by non-discriminatory access to storage capacity). In order to improve the access to finance for companies two new entities have been introduced - The Venture Capital Mutual Funds (VCMF/AKES) and the Guarantee Fund Facility Scheme (TEMPME). In order to expedite administration procedures for Foreign Direct Investment (FDI), the Government passed in the Parliament a law that simplified the underlying legal framework. In the field of “R&D and innovation” two pieces of legislation were implemented (Law 2992/2002 for the deduction of R&D expenditure from taxable profits, and Law 2919/2001 which provides incentives for the exploitation of new technology parks and high-tech incubators) with the purpose to increase fiscal incentives for R&D activities.

The reform measures recorded in the MICREF database for the year **2003** mainly focused on open and competitive markets. The efficiency of the Hellenic Competition Committee (HCC) was strengthened through a new organisational scheme (PD 169/2003) that enabled the Committee to double its personnel and upgrade its quality. Furthermore, financial independence for the Committee has been secured. In postal services, Law 3185/2003 harmonised Greek legislative with Directive 2002/39/EC. The weight and price limits of services pertaining exclusively to the Universal Service Provider were, among others, modified accordingly. In the electricity sector, according to Law 3175/2003, all electricity generators, including co-generators with consumption above 25 million m³/year, became eligible consumers starting from 1 July 2005. As an outcome of the reform of market settings, Public Power Corporation (PPC) was excluded from the tender procedure for the first 900 MW, as far as capacity availability agreements for new generation capacity are concerned.

In **2004** in the telecommunications sector number portability was introduced also for mobile phone numbers. A reform regarding administrative regulation was Law 3242/2004 which simplified administrative procedures. It included the establishment and operation of a central committee for the simplification of administrative procedures, the collection of documents required for a procedure within public services, without the citizen’s involvement (subject to his/her permission), the institutionalisation of tele-conferencing and the replacement of a number of certification papers by a formal statement signed by the citizen. In the field of taxation the main features of the 2004 tax reform were the progressive reduction of corporate tax rate from 35 per cent to 25 per cent in 2007, while for smaller firms from 25 per cent to 20 per cent. At the same time, the tax system has been simplified with the aim to reduce the administrative burden on enterprises. Two amendments were made in the area of “fiscal incentives for private R&D”. Law 3296/2004 concerned the deduction of expenditures made for scientific and technological research from the enterprises’ profit, whereas the Investment Law (Law 3299/2004) provided a set of incentives for attracting private funds to priority sectors such as innovative and advanced technology products and services, facilities for applied research and industrial research, the development of technological and industrial plans,

software development and tourism installations. In June 2004, a top-governmental cross-departmental ICT Committee was set-up which develops and supervises the implementation of ICT Strategy of Greece, reporting to the Council of Ministers.

In **2005** a further reform (Law 3373/2005) aimed at increasing the competence of the Hellenic Competition Commission. Further rounds of privatisation were made through the sale of shares in the Football Prognostics Association (OPAP) and the Hellenic Telecommunications Organisation (OTE) in 2005. In the natural gas market, the New Gas Bill (Law 3248/2005) accelerated the eligibility of customers, and provided for the legal unbundling of the high pressure NG network through a subsidiary corporation that owns, maintains and manages the high pressure pipelines. A couple of regulatory changes also took place in the electricity sector. Since the enactment of the New Electricity Bill (Law 3426/2005) in December 2005, non-household consumers have been free to choose their electricity suppliers, with household consumers that have followed after 1 July 2007, although specific conditions will apply to non-interconnected islands. The bill provided also for the gradual unbundling of the operation of the distribution network, which after 1 July 2007 was assigned to an independent Transmission and Distribution Network Operator. The issuing of the new Grid and Power Exchange Electricity Code in May 2005 created the necessary conditions for competition on equal terms, ensured reliability and transparency between markets and promoted the development of secondary markets. In the railway sector following the relevant EU Directives and the Presidential Decree (FEK 60A'/ 7 March 2005) for unbundling railway operation from infrastructure, the management of Hellenic Railways Organisation (OSE) founded two new companies, responsible for the infrastructure and the operation of the network respectively. In wholesale and retail trade new rules for shop opening hours were adopted. With the objective to improve efficiency and flexibility of Port Organisations that have not been listed yet in the Athens Stock Exchange, their articles of association (Bill of Rights) were reconciled with the new legislation (Law 3429/2005) for the operation of Public Enterprises and Entities (DEKO). In the sphere of public administration the administrative regulation was addressed through the following measures. A new bill on the simplification of the licensing process for manufacturing companies (Law 3325/2005) was implemented. As regards improving the quality of regulations the General Secretariat of Commerce initiated actions for upgrading Chambers of Commerce and for the creation of the General Commercial Record (G.E.MI.). The introduction of G.E.MI integrated and simplified the formal framework of commercial activity, established a system of rules and principles governing commercial activity, increased transparency and helped reducing red tape by introducing electronic processes. In the area of "e-government" a new initiative was launched in 2005 which finances more than 97 projects with a total budget of EUR 113 million. Through these projects, more than 40 digital services will be made available to the citizens and businesses. Another initiative entitled "Digital Self-Government" with a total budget of EUR 60 million was launched in November 2005, aiming at the development of digital services for the citizens across all prefectures and municipalities of Greece. The Law 3429/2005 concerning public enterprises and entities established a new operational framework, based on increased independence and flexibility for everyday management of the public enterprises and entities, the formation of charters of responsibilities towards the consumer and the preparation of business and

operational plans. The law also provided for the incorporation of modern corporate governance principles, including the implementation of the International Financial Reporting Standards to ensure transparency and accuracy in financial reporting and an improved operating scheme for the board of directors. In order to foster the registration of patents the cost of registration with the Industrial Property Organisation has been decreased between 30 per cent and 100 per cent. In a way similar to the French “Poles de competitivite” and the Finnish “Regional Centres of Expertise” Law 3377/2005 established the “Regional Innovation Poles”, with the aim to promote regional development through the creation of nodes of technological skill and excellence in the periphery. The Law 3389/2005 on Public Private Partnerships (PPP) defined the relevant framework for PPPs, by incorporating the respective EU legislation and adapting it to the needs of Greece. In the field of “education” Law 3391/2005 has been adopted which regulates the establishment of the International Hellenic University (IHU). Furthermore, the quality assessment scheme concerning higher education established under Law 3374/2005 has been activated.

In **2006** we saw the following reforms in Greece. In accordance with Law 3470/2006 the National Exports Council was established as the official advisory body to the Government on export policy. Specific action was also taken in the field of professional services, through the establishment in April 2006 of a working group within the HCC on seven professions (lawyers, notaries, engineers, architects, pharmacists, accountants and dentists). Its aim is to identify existing restrictions to competition, assess the extent to which these restrictions are justified by public interest or economic considerations and cooperate with all stakeholders in order to secure the widest possible consensus. In the telecommunications sector another sale of state owned shares in the Hellenic Telecommunications Organisation took place. Moreover, the new Bill for Electronic Communications (Law 3431/2006) brought national legislation in line with EU Directives 2002/19, 2002/20, 2002/21 and 2002/22. In the gas sector in March 2006, tariffs for third-party access to the transmission system and the LNG terminal were set by a Joint Ministerial Decision and an independent supplier has been licensed. The adoption Law 3426/2005 and Law 3468/2006 strengthened the role of the Regulatory Authority for Energy (RAE) and brought the legal framework in alignment with the EU Directives 2003/54, 2003/55 and 2001/77. Law 3446/2006 established a legal framework for a National Supervisory Authority for air transportation. Privatisation measures were carried out in the banking sector. Law 3457/2006 provided a new legal framework in the pharmaceutical markets. The law promotes equitable access to drug treatment and increases the bargaining powers of social security institutions in the procurement of pharmaceuticals. With the view on improving conditions for access to finance, the “Digital Leap” venture capital fund was set up. It aims at facilitating entrepreneurship and the development of new businesses, by financing either ICT business start-ups or ICT-related business start-ups. In order to improve the quality of regulation following a circular by the Prime Minister, the submission of a Regulatory Impact Assessment Report became obligatory. The project DORY utilises the satellite system Hellas Sat2 for the provision of public services, through the procurement of 1673 terminals. This project launched in 2006 concerns the provision of satellite broadband connections for schools and public services in remote and inaccessible regions. With the objective to improve the

ICT infrastructure also the project plan entitled “Broadband Access Development in Underserved Territories” was adopted, which aims to co-finance broadband investments for local-access across Greece (excluding Athens and Thessaloniki) for boosting broadband penetration and coverage in regions where citizens and businesses currently have difficulties in gaining broadband access. Two further measures aimed at enhancing the use of ICT. In January 2006, the Digital Strategy has been put into effect which comprised two main strategic objectives: a) enhanced business productivity through the use of ICT and new skills, b) improved quality of life through ICT. Furthermore, a “Digital Greece” Awareness Campaign has been tendered within 2006, with the aim of familiarising citizens across Greece with the benefits of information technologies and broadband. In the area of education, the curriculum of the “all-day schools”, for kindergartens, as well as for primary schools, was re-examined in order to be reformed, and the upgrading of studies in the Institutes of Vocational Training (I.E.K.) was initiated.

4.10 ES - Spain (2000-2006)

Table 11 Reforms in Spain

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	0	2	8	1	1	1	0	13
2001	2	3	8	0	4	2	2	21
2002	1	2	18	1	1	2	1	26
2003	2	5	5	2	6	3	2	25
2004	0	1	6	1	2	0	2	12
2005	0	0	3	2	3	3	1	12
2006	2	1	4	3	9	8	2	29
Total	7	14	52	10	26	19	10	138

Spain is Member States for which the highest number of reforms (138) is recorded in the database.

In **2000** most reform measures addressed “competition policy” and “sector-specific regulation”. The Royal Decree 6/2000 (of 23 of June of Urgent Measures for strengthening the competitiveness in the good and services markets) reinforced and speeded up the procedure for merger control. Approval was given at end of 2000 to increase the resources available to competition law enforcement bodies. The result was a 20 per cent rise in the Competition Tribunal budget, while the Competition Service was organisationally reinforced by the creation of a new administrative section. In the telecommunications sector the Royal Decree-Law 7/2000 opened up the local loop from September 2001. Royal Decree 1890/2000 established the evaluation procedure for the mutual recognition of telecommunications equipment. Further measures in the telecommunications sector were the granting of Local Multipoint Distribution Services (LMDS) and of 4 new licences for the establishment and operation of third generation mobile communications services. The Law on the Universal Postal Service and the Liberalisation of Postal Services (July 1998), transposing Community provisions in this respect, was followed up by Law 14/2000 of 29 December on Fiscal, Administrative and Social Measures, which approved the transformation of public corporation Correos y

Telegrafos into a state-owned enterprise. In the electricity sector Royal Decree-Law 6/2000 provided inter alia incentives to encourage more producers into the special regime market, and new obligations on certain participants as a function of their installed capacity. Regulation 1955/2000, pursuant to Law 34/1997, required that distribution companies be Spanish or belong to some other Member State and have a permanent address in Spain. Regarding oil product retailing the June 2000 package contained measures to enlarge competition. One was to cap the market shares by sales point numbers of the dominant operators (Repsol and Cepsa). The Law 6/2000 of 13 December, on urgent measures to stimulate household saving and the SME sector, created two new finance lines of early-stage capital to technology-based companies. An amendment of personal income tax rules was made in December 2000 to extend tax breaks on new technology investment to sole proprietors calculating their net income under the objective assessment system. The “SME Consolidation and Competitiveness Plan” (2000-2006) was adopted to finance ICT and innovation projects of interest to the small firm sector.

The Council of Ministers of 12 October **2001** approved Framework Regulations to the Government Contracts Law enacted in June 2000, which transposed various Community Directives while incorporating technical improvements and laying down objective criteria to detect disproportionally high or low auction bids. Two measures aimed at strengthening the Spain’s antitrust and merger controls. The Spanish Competition Tribunal’s legal regime became an autonomous body (Law 24/2001). This transformation increased the financial resources dedicated to the Spanish Competition Tribunal, and allowed raising the human resources. The creation of the General Directorate of Competition allowed the allocation of more resources to the competition service. A new regulation on the control of economic concentrations, (Royal Decree 1443/2001) that came into force in 2002, adapted the procedure to intervening legislative changes and the antitrust experience acquired, while increasing its transparency and clarity. In the telecommunications sector we saw changes to the Reference Interconnection Offer (RIO) which sets the prices and conditions to apply for other operators’ access to Telefonica lines. In the gas sector the action plan to open up the shareholder base of CLH (Coporacion Logistica de Hidrocarburos) was approved. CLH handles sector logistics on a near monopolistic basis and was originally owned by the three firms with refining capacity in Spain. As regards the water sector the Water Law was adopted. This legislation brought together and updated a host of previously dispersed norms and regulations. In the water sector also the National Hydrological Plan (NHP) was approved by Law 10/2001. The NHP is the cornerstone of water management planning in Spain, and established ground rules for co-ordinating plans for individual river basins. In 2001 in the area of air transportation we saw the placement of Iberia on the stock market. Furthermore, a Royal Decree approved in November 2001 sought to boost sector competition by tightening up the rules on airport slots. In the area of public transport, Law 24/2001 revised the tariff review system for regular road passenger services under concession contracts. It established an objective mechanism, automatically applied and based on CPI-X formula, which simplifies the whole procedure while providing incentives for a better functioning market. The main accent in the haulage sector throughout 2002 has been on implementing the five-year strategy plan (PETRA - Plan

Estrategico del Transporte de Mercancias) approved in 2001. Under the policy domain “business environment and entrepreneurship” the following measures were carried out. Law 24/2001, of 27 December, on Fiscal, Administrative and Social Measures, set in motion a reform of the system of preventive legal certainty or public authentication in order to streamline and modernise procedures. As regards the business taxation the key measure in respect of corporate taxation in Law 46/2002 amending personal income and corporate taxation was the abolition of the special fiscal transparency system. Further changes to the taxation system came from the exemptions from the tax on economic activities, and the tax measures to favour new firm creation contained in the Law on Fiscal, Administrative and Social Measures for 2002, like the lengthening of the offset period for tax loss carryforwards (10 to 15 years), reduction of the time required before bad debt provisions become tax deductible, the removal of limitations on VAT rebates in respect of pre start-up expenses, and the larger scope given to the corporate income tax small-firm regime. In the field of “R&D and innovation” the reform of patents legislation, as approved by Royal Decree 996/2001 of 10 September, provided for the general application of the examination-based national patents system. In order to co-ordinate the efforts of all relevant agents behind the development of the Information Society, in January 2001 the Government unveiled the Info XXI Initiative Action Plan (2001-2003). In primary and secondary education we saw the introduction of entrepreneurial spirit as a specific educational objective in primary and secondary schools (Law 10/2002 on Education Quality). The Universities Law 6/2001 of 21 December 2001 established the legal regime and general operational framework to concern both public and private universities. Its provisions govern the foundation, certification, structure and legal regime of university institutions, alongside their governing and representative systems and their economic and financial functioning, building on the autonomy principle enshrined in the Spanish Constitution. The Ramon y Cajal Programme, launched in April 2001, offered indefinite contracts for researchers, in particular scientists doing post-doctorate work in Spanish or foreign centres.

Reform activities in **2002** can be summarised as follows. A more efficient tax treatment of electronic commerce was introduced in the act of transposing Community legislation. (Law 53/2002, of 30 December, on Fiscal, Administrative and Social Measures). In the area of “antitrust and merger controls” deadlines for review procedures on Competition Service (Servicio de Defensa de la Competencia, SDC) acts were clarified through Law 53/2002. Furthermore, we saw the enactment of Law 1/2002 on Co-ordination of Powers between Central Government and the Autonomous Communities in competition matters, and the roll-out of a decentralised enforcement system for anti-competitive conduct legislation. In the telecommunications sector the Code of Conduct for the provision of premium rate services was published. Ministerial Order 601/2002 of 14 March created a new kind of licence for the Virtual Mobile Operators. A package of measures approved in September 2002 with the goal of stimulating competition in fixed telephony services inter alia modified the price cap for 2003 with rental charges dropped from the basket of final fixed line services. The second Subscriber Loop Offer (SLO) approved in April 2002 marked a complete overhaul of price setting for loop access services, with reductions exceeding 30 per cent. A circular approved in July 2002 brought novelties on operator pre-selection: inter alia, the extension of services eligible for pre-selection to include

network intelligence calls; a four-month instead of a two-month bar on client recovery moves by the access operator, and a greater symmetry in inter-operator dealings. Order CTE/711/2002 established the conditions for the provision of the telephone directory enquiry service. In July 2002, CMT approved a 17 per cent price cut for interconnection terminating on the networks of the two mobile operators declared dominant in the end market. A further Telecommunications Market Commission (CMT) Resolution approved on 5 September 2002 established the list of carriers that according with the Telecommunications law should be considered as incumbent carriers. As provided in Law 34/2002, of 11 July on Information Society Services, Telefonica de Espana submitted a Plan to replace rural access lines (Telefonia Rural de Acceso Celular) by available lines which assure internet access capability to all subscribers in rural zones. In postal services the process of liberalising postal services and opening up the sector to competition continued, following on from Law 53/2002, of December on Fiscal, Administrative and Social Measures, which transposed the provisions contained in Directive 2002/39/EC. In the gas sector in March 2002 three Ministerial Orders supplementing the Royal Decree of August 2001 established a calculation mechanism for network access tolls and a remunerative system based on costs. In the electricity sector the Council of Ministers on 13 September 2002 approved the Transmission Network Development 2002-2011 which included two sets of measures to boost sector competition: the first about enlarging international exchanges and the second about the network connection of new entrants. The Law on Fiscal, Administrative and Social Measures reduced to 3 per cent the maximum interest that any person or company can hold, directly or indirectly, in the electricity grid operator (Red Eléctrica de España). Royal Decree 841/2002, approved in August 2002 pursuant to Royal Decree-Law 6/2000, set the stage for more special-regime producers to be drawn into the power production market by laying down an incentive system for their participation, and regulating the figure of the selling agent who can group the bids of smaller-scale producers. Also in other sectors reform measures were undertaken. Reference tariffs have been abolished for freight haulage and for discretionary bus transport services (Royal Decree 366/2002, of 19 April). Royal Decree 958/2002, of 13 September, on fuel storage installations in general-interest ports sought to spur competition in the sale of oil products in port authority precincts. The privatisation of Transmediterranea was authorised by the Council of Ministers on 20 December 2002. With the purpose to improve access to finance, Royal Decree 601/2002 of 28 June opened preferential credit lines from the Science and Technology Ministry (STM) to risk capital entities investing in new or early-stage high-tech companies. In the area of business taxation the percentage deductible for reinvesting extraordinary profits was raised. In the field "R&D and innovation" Law 10/2002 of 29 April amended patent legislation to incorporate Directive 98/44/EC provisions on the legal protection of biotechnological inventions. Law 34/2002 on Information Society and e-Commerce Services, approved on 11 July 2002 incorporated Community regulations. The provisions of "Law 10/2002 of Educational Quality" (Ley Organica de Calidad en la Enseñanza, LOCE) were to guarantee greater student participation by means of a more flexible system.

2003 saw the following reform steps. As regards VAT, a regulation was approved regarding invoicing obligations, involving the transposition to domestic law of Council

Directive 2001/115/EC of 20 December. Law 13/2003 sought to draw in private finance for infrastructure projects by modernising the legislative framework. The new, consolidated text provides for a broader application of concession contracts, which may take in the construction and operation of public infrastructure or operation alone. In the field “competition policy” regulations were adapted to changes in Community and domestic legislation accompanied by technical improvements (Royal Decree 378/2003, of 28 March implementing provisions of Law 16/1989 of 17 July on block exemptions, individual authorisation and the Competition Register). Moreover, officials responsible for inspections were enabled to access documents in any medium and the penalty for obstructing inspection work has been linked to the company’s sales. Both the Competition Service and Competition Tribunal have had their financial and human resources enlarged and strengthened. The latter was also empowered by a new Statute (Royal Decree 864/2003, of 4 July) which governed its functioning, and allocated new revenues which are not subject to budgetary decisions. The publication schedule of the Spanish Competition Tribunal reports regarding business concentrations has been expedited. The framework for state aid was reformed by the 2003 of the General Subsidies Law. Within the economic sectors one can highlight the new Telecommunication Law (Law 32/2003), whereby a) freedom of entry was extended by simplifying the licensing formalities for new operators, b) ex-ante regulation gave way to ex-post supervision as competition build, c) the scope of universal service provision was selectively enlarged along with protection for selected users, in particular via the “functional access to internet requirement”, and more emphasis on tailored packages for special groups, and d) efficient spectrum use was enshrined as a key principle in planning, management and usage. In December 2003 CMT approved a system of maximum interconnection prices. The regulation of Spain’s island and offshore electricity grids completed the regulatory implementation of the Electricity Law, detailing the characteristics of the island and offshore grids (Balearic and Canary Islands, Ceuta and Melilla). The transposition of the European Water Framework Directive regulation included the principle of recouping the costs for water-related services. In the railway sector Law 39/2003, of 17 November on Rail Transport, implemented the EU “railway package” into Spanish legislation. The law proposed a) a clear separation between infrastructure management and rail transport services, to be conducted independently by separate legal entities, b) increased competition to RENFE with present and future market operators, and c) a regulatory framework for access by rail transport companies to goods and passenger transport services. The services opened up to competition were: national freight transport, international freight services using the Trans-European Network of Rail Freight Transport and, by 15 March 2008, international freight services using the General Interest Rail Network. In order stimulate new enterprise creation, especially in the SME segment, the adoption of Law 7/2003, of 1 April created the “New enterprise” limited company, and its implementing regulations. Its main poles were the simplification of administrative procedures and unification of the formalities involved in new firm creation, which can also be completed by electronic means. The Insolvency Law 22/2003, dated 9 July, which came into force on 1 September 2004, introduced a new regulatory framework for company insolvencies and replaced a regulation, part of which had been in force for over a century. In the area of e-government we saw the adoption of two relevant laws: the General Telecommunications

Law (which involves Public Administrations in matters relating to the Information Society), and Law 59/2003 on Electronic Signatures, in accordance with the corresponding European Directive. The Royal Decree 209/2003 of 21 February encouraged the take-up of electronic registrations and notifications, and the use of telematic means to replace the presentation of paper certificates. The system of business taxation was changed to extend the fiscal benefits of the special corporate income tax regime for companies whose exclusive corporate purpose is property rental to those companies which rent, or offer for rent, housing that they have built, developed or acquired. Another measure was a tax incentive for entrepreneurial saving via a new personal income tax deduction for “business saving accounts” opened by “New Enterprise” limited companies (Law 36/2003). The new General Tax Law (Law 58/2003), furthermore, set out to: a) provide a legal frame of reference for the tax system which is both modern and comprehensive, b) align tax procedures more closely with the general rules of administrative procedure, c) improve the tools available to the tax authorities for the fight against tax fraud and evasion, by new rules on fraud in law as well as tax offences and sanctions, d) reinforce taxpayers’ rights and guarantees by affording them greater legal certainty, e) simplify relations between the taxpayer and the tax office through the use of new technologies. Also the scope of tax benefits was broadened with a raise of the eligibility threshold from EUR 5 to EUR 6 million turnover (Law 36/2003). Further reforms were carried out in the area of the “knowledge-based economy”. The process of reviewing Spanish intellectual property legislation that started in 2001 culminated with Law 20/2003, of 7 July, on the Legal Protection of Industrial Design. The Law 36/2003 on economic reforms extended the objective scope of tax deductions for research, development and technological innovation activities in order to promote private “R&D” activities. Law 62/2003, of 31 December 2003, increased certain tax parameters such as: a) the percentage deduction for contracting qualified research staff and projects from Universities, Public Research Institutes and Centres of Research and Technology to go up from 10 per cent to 20 per cent of the associated costs; b) the deduction base for the purchase of advanced technology in the form of patents, licences, know-how and designs is raised from EUR 0.5 million to EUR 1 million; and c) raising from 45 per cent to 50 per cent of the maximum incremental deduction applicable when the amount of the deduction envisaged for R&D and Innovation and ICT spending exceeds 10 per cent of the gross tax charge. Reform measures in the educational sector focused on pre-primary education and early childhood intervention. Royal Decree 828/2003 of 27 June specified the core contents with its dual educational and care requirements of this stage. Furthermore, a broader offering of pre-school care (0-3 years) was ensured via the 2003 launch of a scheme to co-finance new places for the under-threes, whether in municipal centres or company crèches.

In **2004** the following reform efforts were undertaken in Spain. The Royal Decree 2295/2004 transposed to Spanish legislation the amendments produced in European competition policy laws (Council Regulation (EC) No. 1/2003 of 15 November 2002) and Council Regulation (EC) No. 139/2004, of 20 January 2004). In the telecommunications sector the agreements signed in 2000 between the Spanish Government and the operators holding UMTS licenses were amended in June 2004, implying the acceptance of a minimum coverage before the service is provided and the

commitment by operators not to reach roaming agreements between them. In 2004 CMT increased the incentives for indirect access operators to invest in networks. In the electricity market the International Agreement for the constitution of a single Iberian electricity market (MIBEL) was signed by Spain and Portugal on 20 January 2004. The Agreement was revised on 1 October 2004 in order to adapt it to EU regulations and provide an adequate period for the adoption of electricity market reforms in both countries, aimed at increasing competition and providing greater transparency in tariffs. The special regime remuneration system in the electricity market affected producers of renewable energy and combined heat and power. Royal Decree 436/2004 introduced incentives to increase the participation by the special regime system in the wholesale market by amending the special regime remuneration system (moving from a more fixed price remuneration to a more market linked remuneration). As regards the retail trade sector we saw the Law on Commercial Opening Hours which established a new framework regulating commercial opening hours on the basis of the longer hours established in recent years and to enable each Autonomous Community to progress towards the level of liberalisation in terms of the opening hours it deems appropriate. Moreover, the “Plan to Improve Quality in Retail Trade 2005-2008” was adopted. In the policy domain “business environment and entrepreneurship” in order to facilitate the access to finance for enterprises the National Enterprise for Innovation (ENISA) expanded its participation loan programme for SMEs and created a new line of funding. Administrative burdens were reduced by means of a simplified accounting regime for SMEs with the aim of facilitating their management so that, with a single set of accounts, they can comply with tax and accounting obligations established by Spanish legislation. The Plan to foster e-government comprised 19 measures that pursue four goals: facilitate user access, boost the development of user services, facilitate the exchange of information between Public Administrations, and support the internal reorganisation of Public Administrations. In the field of “education” the structure of the vocational training certificates was reformed in order to coordinate them with the National Professional Qualifications Catalogue. New content was introduced to narrow the gap between training supply and the job market, and basic requirements for access, admission and enrolment in vocational training were made more flexible. Moreover, the first professional qualifications included in the National Catalogue, and the corresponding training modules, were approved (Royal Decree 295/2004).

At the end of **2005** it was decided to commence the process of eliminating tariffs for large gas users. Additionally, a timetable was published for phasing out the other tariffs by January 2008. In the area of air transportation Airlines were allowed to provide self-handling, subject to certain requirements. In 2006 the entry of new operators in the network of wholesale markets was facilitated (through agricultural cooperatives and other associations) and the information on food prices given by the Food Prices Observatory has been improved. In order promote business growth, as part of the Entrepreneurship Programme (“Plan de Fomento Empresarial”) approved by the Government in January 2006, the credit lines for medium sized companies were set up (ICO⁶-Growth line, ICO-SME, ICO credit line for internationalisation, ICO-CDTI Credit line for technological innovation). Also as part of Entrepreneurship Programme, the learn to export programme

⁶ ICO : Official credit institute.

was started in 2005 to raise awareness among SMEs of the need to diversify into foreign markets, by means of seminars, help desks and personalised follow-up in the first year of the process of internationalisation. The plan to “Internationalise High-Technology Content Sectors” aimed to enhance the technological content of Spanish exports. The plan, endowed with EUR 100 million for 2005-2007, comprised a promotion phase, a communication and information phase and a formation phase. INGENIO 2010 (presented in June 2005) was adopted as the national strategy to foster research, development and innovation. In order to comply with its objectives, the State’s civil R&D and innovation budget increased by 27 per cent in 2005 and 32 per cent in 2006, and this funding was foreseen to continue to increase by at least 25 per cent per year until the end of the legislative period (2009). Within the framework of INGENIO three strategic programmes were established: the CENIT programme, aimed at increasing cooperation between the public and private sectors, the CONSOLIDER programme, to increase research critical mass and experience, and the AVANZA programme, whose aim is to close the gap with Europe in the area of the Information Society. In “R&D and innovation” in order to improve the management and assessment of research and innovation, a new “Integrated Monitoring and Assessment System” (SISE) was implemented. In the area of “education” Royal Decree 55/2005 and Royal Decree 56/2006 regulated the structure of future higher education (graduate and postgraduate respectively), with the objective of adapting it to the European Tertiary Education Space in 2010(Bologna Process). Both Royal Decrees were amended by Royal Decree 1509/2005.

Spain saw in the year **2006** comprehensive reform activities. The Act for the Protection of Consumers’ and Users’ Rights (44/2006) introduced: a) eliminating rounding, the new law classifies rounding up time usage, prices or bills as abusive; b) matching of conditions for initiating and terminating service contracts; and c) regulation of consumer associations to adapt the rules to the current association movement and to make them more transparent and independent. New Regulations to the General Subsidies Act (38/2003) were approved by Royal Decree 887/2006, to include measures which reduce bureaucratic barriers in relation to financial aids for R&D and Innovation activities. In the electricity sector the system of Competition Transition Costs (CTC), created to facilitate the transition from a regulated to a liberalised market, was abolished. As regards the implementation of the Iberian Electricity Market, in the second half of 2006, distributors in Spain and Portugal were authorised to trade in forward instruments. In the gas sector detailed protocols for the Rules for Technical Management were developed in order to introduce a mechanism to improve supply security and manage the system more efficiently. In the retail trade sector a number of measures was undertaken by the regions aimed at increasing competition in retail trade. In the oil distributing sector the content and quality of the information supplied by retail distributors (price data) to the Ministry of Industry, Tourism and Commerce was increased, thus improving the information available to consumers. In the policy domain “business environment and entrepreneurship” as part of the Entrepreneurship Programme, the Royal Decree 1332/2006 allowed for all kind of limited liability companies to be created (online) through the network of “Advice and Paperwork Points” (PAIT). Also part of Entrepreneurship Programme was the launch of the micro-loans programme for women in order to foster entrepreneurship in society. After the launch of some ICO credit lines in

2005, two more credit lines (ICO-ICEX and ICO credit line for entrepreneurs) were established. In order to improve public services, Act 28/2006 established the regulatory framework for state agencies, with the aim to achieve a more autonomous and agile administration and reduce red tape. With the objective of improving the quality of regulations the State Agency for the Assessment of Public Policy and Service Quality was established which monitors the various laws and regulations approved by the Government. Its creation was authorised by Act 28/2006 on State Agencies and its statutes by Royal-Decree 1418/2006. Several activities on e-government contained in the plan to implement e-Administration (within the Moderniza and AVANZA reform package) were initiated: creation of the central administration's common on-line register, establishment of an electronic data interchange system between administrations (SARA), addition of new processes to the single electronic document (DUE). In the area of taxation the Law on Company Tax was amended by Law 35/2006 that contained a cut of 5 percentage points off the general company tax rate (from 35 per cent to 30 per cent in two years) and the rate for SMEs (from 30 per cent to 25 per cent immediately). In addition, the law foresees the gradual reduction of most tax allowances (including those for R&D) up to their elimination on 2011, 2012 and 2014. This measure is part of the Entrepreneurship Programme. With the purpose of enhancing the exploration of new markets "Market Development Integrated Plans" were elaborated for the internationalisation of Spanish companies to Algeria, Morocco and Japan. A further measure in the area of "exploration of new markets" was the grant programme for graduates in foreign trade. This programme trains over 500 graduates in foreign trade through internships, providing them with experience of working abroad and business management. A number of regional measures to foster entrepreneurship, especially with the focus on SMEs were also carried out by the Regions. As a measure to increase the capacity for innovation and knowledge transfer, studies and analyses regarding business clusters have been carried out (as part of the Entrepreneurship Programme). Furthermore, reform measures were undertaken in area of the "knowledge-based economy". So as to modernise the management of research, the "Act 28/2006 of State Agencies for the improvement of Public Services" allowed the Higher Council for Scientific Research and the Carlos III Health Institute to adopt of a new legal form ("state agency") which is more in line with their procurement and contracting needs. As one of the measures to improve governance and information, in July 2006 the R&D and innovation Information Points were created to offer companies a one-stop shop for information about support for R&D and innovation from the regions, the State and the European Union. A number of measures put forward the implementation of the actions contained in the INGENIO 2010 programme. The regulatory basis for the grants in the context of the AVANZA programme was laid by Ministerial Order ITC/2234/2006 (BOE 11/07/06) and the announcement for the 2006 grants. The first 16 projects of CENIT were approved in March 2006 (EUR 200 million public funds and EUR 230 million private funds). Also within CENIT, the Neotec Venture Capital Fund was launched in February 2006. The fund aims to increase early-stage investment in technological companies. The Torres Quevedo programme was launched to support integration of researchers into private companies. Moreover, in decision of 30 March 2006 (BOE 7 April 2006) one of the announcements for grants of the CIBER projects was issued. The CIBER Projects are part of the Consolider Programme which aims at increasing research critical mass and

excellence. Also as part of the Entrepreneurship Programme, technology transfer bodies were supported through: a) the launch of the Technology Center Plan (Plan ACT) that stimulates cooperation between these research centers in different regions and supports the creation of new centers and b) strengthening of the existing PROFIT programme (financing R&D projects by Technology Centers). Also regional measures to promote innovation were undertaken to promote technology transfer bodies, to inform and fund technology based companies or SME's investment on R&D, private/public partnerships, use of ICT by government, and to promote public research. The Law on Company Tax amended by Law 35/2006 maintained tax allowances for R&D until 2012, but foresaw a gradual reduction of those deductions. Reform efforts could also be observed in the area of education. The Strategic Plan for Childhood and Adolescence (2006-2009) and the new Education Organic Act favoured early-age schooling through initiatives such as the increase in the number of places for schooling children aged under 2 and 100 per cent schooling of children aged 3 to 6 free of charge by 2010. A new curriculum for nursery schooling (educational nature of this stage, teaching of foreign language and introduction to ICT in the second cycle) was set up. The Education Organic Act 2/2006 foresaw a budget of EUR 7033 million and a set of measures to be implemented by Central and Regional Government in the period 2006-2010 with the following aims a) avoid failure and early school-leaving and to promote successful completion of education (pedagogic support, funding for remedial programmes); b) ensure equitable access to education and free education for all (increased budget for all types of grants); c) improve the learning of foreign languages and ITC from an early age; d) improve the integration of immigrant students; e) improve teachers' training, motivation and social prestige. The activities were monitored by the Institute of Evaluation (within the Ministry of Education and Science).

4.11 FI - Finland (2004-2006)

Table 12 Reforms in Finland

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
FI	2004	0	1	1	0	3	3	0	8
	2005	1	0	0	2	1	5	3	12
	2006	2	0	0	0	8	4	1	15
	Total	3	1	1	2	12	12	4	35

In Finland we have seen the following microeconomic reforms over the period 2004-2006.

In the year **2004** revisions to the Finnish competition legislation took effect in May. The Act on Competition Restrictions was harmonised with the EU competition rules. The system of individual exemptions was abolished, relieving some of the Finnish Competition Authority's work load. In the telecommunications sector the Supreme Administrative Court ruled against the incumbent on the high interconnection charges for call termination in September 2004. In the area of administrative regulation the Ministry of Trade and Industry set up a three-year project (1 Dec 2004 – 31 Dec 2007) for the assessment of the regulatory impacts of legislation on business (SÄVY). The purpose of

the project was to ensure that business impacts are better taken into account in the drafting of legislation and to develop methods for the assessment of those impacts. Furthermore, in April 2004 the Government set up a project that was charged with drafting a national action plan for better regulation by the end of April 2006. The aim was to create a programme that will incorporate the commonly accepted principles and policy lines so that the legislative process can give maximum support to competitiveness and the creation of favourable business conditions. In order to foster entrepreneurship in education the policy lines and action plan for entrepreneurship training and education were adopted by the Ministry of Education. The new national core curriculum for basic education grades 3-9 was phased in during 2004-2006. At upper secondary level, the core curriculum was introduced during 2005. The theme for the comprehensive school curriculum was “participant citizenship and entrepreneurship” and at upper secondary level “active citizenship and entrepreneurship”. In accordance with decisions taken in 2004 by the Government and the Finnish Broadcasting Company YLE, the changeover to digital television broadcasting in Finland was to be completed by the end of August 2007. The Information Society Programme for Education, Training and Research 2004–2006, drawn up by the Ministry of Education, focused on development of citizens’ information society skills, diverse use of information and communications technologies in educational institutions, establishment of effective procedures and promotion of social innovation through ICT. Furthermore, legislation has been amended (amendment in the Act on the State Budget 1111/2004) to make it easier for universities to establish limited companies that can make more effectively commercial use of research results.

In the year **2005** we saw the following reform measures in Finland. The tax treatment of foreign investments has been revised on 15 August 2005 so that the same rules apply to foreign venture capital investments in a Finnish capital fund and in the target company. In the area of “access to finance” the eligibility criteria for fixed-term start-up grants were revised in 2005. Start-up grants can now be allocated to those intending to switch from being a wage earner to becoming an entrepreneur and to those outside the labour market. To boost venture capital funding for early stage business, in 2005 the Government allocated resources totalling EUR 11.5 million to a fund called Aloitusrahasto Vera Oy and granted EUR 1.5 million to revamp related services. Start Fund Vera Ltd launched its investment activities in autumn 2005. Also, regarding business taxation a reform of the corporate and income tax rates took place. In the “knowledge-based economy” the Government’s decision-in principle of 7 April 2005 set out measures aimed at the structural development of the public research system. These included an overall plan for the targeting of sectoral research and the allocation of its resources according to changing needs in society. In order to promote the internationalisation of research the FinChi Innovation Centre opened in Shanghai in 2005 to promote technology cooperation between Finland and China. Furthermore, the Finland Distinguished Professor Programme, FiDiPro was launched by the Academy of Finland and Tekes to recruit more foreign researchers. It offers fixed-term research and teaching posts for highly academic foreign researchers. The Government’s decision in March 2005 on the central government spending limits for 2006-2009 included a commitment to increase R&D funding. As a result the budget authority of the National Technology Agency Tekes and the Academy of Finland was increased by a total of EUR 50 million in 2006 and 2007.

The Government decided in spring 2005 that the free 450 MHz frequency band be dedicated to data communications, granting the licence to build new radio network to Digita Oy. In the educational sector the “educational and social guarantee for youth” was launched which was aimed at increasing the proportion of those moving on directly from primary education to upper secondary school, vocational training or voluntary additional basic education from 94.5 per cent per cent in 2003 to 96 per cent per cent in 2008. An amendment to the University Act specified target time limits for the completion of lower and higher university degrees and related rights to study. At the same time, the amendment obliged universities to provide not only tuition but also tutoring and study counselling services in such a way that students are in a position to complete their studies within the target time limits. Moreover, several decisions took effect in August 2005 that aimed at reducing study times at university. To this end the university degree structure was reformed in line with the Bologna process to comprise two tiers, at the same time the duration of studies was reformed.

Also in the year **2006** reform measures were undertaken in Finland. In the area of market integration the reorganisation of an online procurement marketplace for projects that fall below the EU threshold value took place. Measures were also undertaken to improve the quality of regulations. A working group was set up by the Ministry of Justice in February 2006 to revise (by March 2007) standard instructions on the impact assessments of legislative proposals. The objectives of the better regulation programme completed in August 2006 were to support competitiveness and the creation for favourable business conditions and to promote the well-being of the population. The proposed measures included more robust government-level legislative policy, consisting of a legislative programme, establishing a better regulation consultative committee, more front-loaded application in legislative drafting, introducing a law drafting quality management system and developing legislative maintenance. Moreover, a web-based on-line payment system (palkka.fi) for SME employers has been launched. It allows SMEs to pay wages and to deal with red tape with authorities in electronic form. In order to rationalise public administrative services the Government submitted a legislative amendment to Parliament on 28 September 2006 on the restructuring of municipalities and services. The amendment aimed to bolster both municipal and service structures by means of civic participation in local government and to enhance the ways in which services are produced and provided. Starting in autumn 2006, government departments and agencies were obliged to use agreements jointly contracted through competitive bidding when procuring ordinary products and services. Reforms also focused on training for entrepreneurship. To this end, entrepreneurship strategies for universities and polytechnics have been implemented in 2006, and graduate and postgraduate projects have been funded that foster entrepreneurship in universities. A service for growth companies was launched across the country in early 2006. The service, part of an overall reform of services for companies, represents a new way of operating where the system helps to identify the right services and experts for each company according to their individual needs. In the Government’s spending limits decision in March 2006 the objective was included to increase funding for R&D and innovation increased by 5 to 7 per cent a year through to the end of the decade. Moreover, the third Programme of the “Finnish Centre of Excellence Programmes” (2006-2011) was launched. The programme aims at increasing

funding of academic research units which are at or very close to, the international cutting edge of research in their particular fields. The aim of Finnish Centres of Excellence is to raise the quality of Finnish research by facilitating the development of high-level research environments and supporting researcher training. Furthermore, the Science and Technology Policy Council of Finland made a general decision in June 2006 to create strategic international clusters of centres of excellence in Finland in the following areas in science, technology and innovation: energy and environment, metal products and machinery construction, forestry cluster, health care and welfare and information and telecommunications industry and services. With the purpose to facilitate the practical application of inventions made at universities by clarifying issues of property rights and compensation practices the government bill on university inventions was passed by Parliament in spring 2006. In the field of “education” an action plan was launched that underlined the importance of early intervention, changing the structure of the school day, increasing involvement, facilitating the changeover from the last years of primary to secondary education and preventing dropout from school.

4.12 FR - France (2004-2006)

Table 13 Reforms in France

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
FR	2004	2	1	6	0	3	2	0	14
	2005	0	0	4	6	2	2	2	16
	2006	0	0	1	1	1	5	5	13
	Total	2	1	11	7	6	9	7	43

Currently the MICREF database covers reform measures for France over the period 2004-2006.

In **2004** the following microeconomic reforms were recorded in the database. On 18 March 2004 a law was adopted that enabled the government, by decree, to transpose EU Directives and to implement certain provisions of EU law. It forms part of the plan drawn up by the Government for the acceleration of the transposition of Directives. A circular from the Prime Minister dated 27 September 2004 has strengthened interministerial arrangements for the monitoring of transcriptions. Regarding state aid, for a better control of the aid granted by local authorities to firms and to make the latter more responsible the “Law relating to local freedoms and responsibilities” dated 13 August 2004 provided for each region the task of drawing up an annual quantitative and qualitative balance sheet of the aid granted on its territory by all the local authorities. In the telecommunications sector the Law relating to Electronic Communications and to audiovisual Communication Services (the transposition of the “electronic telecommunications package”), adopted on 9 July 2004, brought sectoral regulation more into line with competition law and strengthened the role of the Telecommunications Regulatory Authority (ART). As regards mobile telephony, the Act of 21 June 2004 on confidence in the digital economy provided that all priority towns and main roads identified as dead zones had to be covered by mobile phone operators within three years. In the gas sector professional customers

became eligible from 1 July 2004, in conformity with Directive 2003/55/EC. The Government, through the Law dated 9 August 2004, modified the status of public-sector enterprise granted to EDF (and Gaz de France) by transforming them into joint-stock companies. As regards the electricity market in conformity with the European Directive on the internal market for electricity (2003/54/EC), all non-residential customers became eligible since 1 July 2004. In the area of professional services, the conditions for conducting certain regulated professional activities have been simplified (Ordinance 2004-279 of 25 March 2004). This involved the reform of conditions for conducting accounting occupations and the withdrawal of the foreign resident business permit for OECD nationals. Some reform measures were targeted towards improving the quality of regulations. In-house business formalities and constraints have been relaxed (Ordinance 2004-274 of 25 March 2004). Limited liability companies were enabled to issue unlisted bonds and have up to 100 partners. The operation of a lease-management business and the rules on wholesale food markets, fairs and exhibitions have been relaxed. The “Deuxieme loi de simplification” (Second Simplification Act, 9 December 2004) introduced some significant reforms. Together with the First Simplification Act (2 July 2003), the acts empowered the Government to issue ordinances (Article 38 of the Constitution) to introduce measures designed to cut red tape, simplify procedures and group services together in a one-stop office. In the field of business taxation the Law on Consumption and Investment Support dated 9 August 2004, supplemented by the 2005 Budget Bill, provided for temporary business tax relief for the productive investment made by firms between 1 January 2004 and 31 December 2005. Two further reform measures were carried out in the area of the “knowledge-based economy”. First, the extension of highspeed internet connections was proposed in order to cover the main areas of economic activity and subsequently all French communes by the end of 2007. Second, the Comité Interministeriel d’Aménagement et de Développement des Territoires (CIADT - Interministerial Regional Planning and Development Committee) launched the policy of competitive clusters on 14 September 2004. These clusters are designed to network businesses of all sizes, public and private research centres, and training bodies to work on high value-added and highly innovative projects.

France adopted the following reforms in **2005**. The European Directive 2002/39/EC was implemented by the Bill relating to the regulation of postal activities dated 20 May 2005. This Bill provided for the creation of an independent authority regulating both telecommunications and the postal services (l’Autorité de régulation des communications électroniques et des postes (ARCEP)) and modernised the Post and Telecommunications Code. The air transportation sector saw the privatisation of Aéroports de Paris. The company has been given a new status as a limited company with the possibility of selling shares to private investors and setting up new regulations to improve its public service quality. The airport pricing rules have also been revised. The Dutreil Act of 2 August 2005, reforming the Galland Act of 1996, modernised commercial relations between suppliers and retailers. In addition to a greater formalisation of the framework for annual commercial negotiations between suppliers and retailers, designed mainly to prevent the abusive use of “marges arrière”, this act established a new calculation method for the loss-leading threshold. In terms of the operation of autoroutes the Government has entirely privatised Autoroutes du Sud de la France, Autoroutes Paris Rhin Rhone and

Sanef. France undertook in 2005 also measures that addressed the policy domain “business environment and entrepreneurship”. The Act to Promote SMEs (Loi en faveur des PME) of 2 August 2005 had the goal to facilitate business start-ups and to generate one million new businesses in five years. Some of the measures foreseen by this law were: withdraw of the usury rate for unincorporated entrepreneurs; measures for the development and simplification of the “groupement d’employeurs”; development of a mentoring system for business transfer. As regards improvements of access to finance 2005 saw the set up of FCPI mutual funds and the modernisation of FCPR venture capital mutual funds (mutual funds designed to steer savings towards unlisted businesses, especially innovative businesses in the case of the FCPI mutual funds).⁷ Moreover, the Alternext market was launched which is a market for SMEs, which is not a regulated market in the meaning of the Directive on markets for financial instruments but is subject to a body of rules laid down by the market operator. It fills the previous legal void left between the primary market and the free market. In the reform area “access to finance” we also find the set up of the OSEO Group to improve access to financing for SMEs and especially innovative businesses. The group consists of BDPME (Development Bank for Small and Medium-Sized Enterprises) and ANVAR (French Agency for Innovation), previously separately responsible for government subsidies to finance SMEs and innovative businesses, respectively. The OSEO group generated new products in 2005 specially tailored for innovative businesses, such as the Contrat Développement Innovation (Innovation Development Contract) launched in spring 2005 to finance intangible requirements for innovations. In terms of bankruptcy legislation the “Loi de Sauvegarde des Entreprises” (Insolvency Act) of 26 July 2005 limited the lender liability in the event of excessive credit support. Before this law, the lender liability implied legal insecurity and therefore dissuaded certain banks from lending to businesses whose financial situation was deemed unsatisfactory. According to the new law, the lender’s liability cannot be presumed, except in cases of fraud, interference in the debtor’s management or taking a disproportionate guarantee. The aim of the Ordinance of 8 December 2005 was to simplify formalities for users and improve their access to public services by creating the conditions for simple, secure electronic exchanges. This legislative text underpinned the legal mechanism vital to the development of the e-administration. In the area of business taxation we saw the reform of the business local tax. This reform guaranteed businesses that the weight of this tax cannot exceed 3.5 per cent of their value-added as of 2007. In 2008, this reform also reduced the tax burden of businesses making investments as of 1 January 2006. In September 2005, the Government decided to launch a 2010 SME-ICT Action Plan. This plan is based on the idea that French SME competitiveness calls for the use of ICTs as part of an integrated industrial and service sector approach (notion of the “digital chain”). In the area of “R&D and innovation” in order to develop project funding the Government created two national resources agencies: the “Agence Nationale de la Recherche” (ANR – National Research Agency) in February 2005 and the “Agence de l’Innovation Industrielle” (AII – French Agency for Industrial Innovation) in August 2005. France committed itself to a project-based policy in all areas ranging from the funding of outstanding projects in the field of exploratory research (role of the National Research Agency) to pre-competitive far-reaching technological development projects driven by large industrial firms (role of the

⁷ FCPI: Fonds communs de placement dans l’innovation; FCPR: Fonds communs de placement à risques.

French Agency For Industrial Innovation). In the field of “education” the 18 January 2005 Pluriannual Policy Act for Social Cohesion provided all public and private apprenticeship training centres (CFAs) the possibility of creating apprenticeship training units with the local public teaching establishments. Furthermore, the “Loi d’Orientation et de Programme pour l’Avenir de l’Ecole” (pluriannual policy act on the future of schools) of 23 April 2005 provided for measures consistent with the EU “Education and Training 2010” programme. The education policy took up two challenges: to promote success for all students and to reduce the failure rate in schools and the school dropout rate. The implementation of these measures started in the 2005-2006 school year.

In **2006** the French reform efforts in the area of microeconomic reforms focused on the following areas. As regards sector-specific regulation freight services have been completely opened up to competition since 31 March 2006. The setting up of new businesses was facilitated through a decree dated 9 June 2006 that made possible start-up declarations via the Internet. The Business Formalities Centres (one-stop contact points) will be equipped in the coming years to accept those start-up declarations via the Internet. With the view on simplifying the transfer of ownership OSEO has been tasked with developing a website offering business transfer services. This site is to be a national reference for information and a forum for business buyout and sales offers. Further reform activities addressed the “knowledge-based economy”. The “Pluriannual Research Policy Act” of 18 April 2006 was the legislative track of the Research Pact, which reformed the national research and innovation system. Making an important financial effort in this area, the Government reaffirmed the reform’s goals: to step up research policy steering capacities, review the scientific co-operation methods to give, in particular, the universities a leading role, encourage partnership-led research and private research, strengthen the appeal of scientific careers and incentives to recruit young researchers. In order to improve the evaluation of scientific policy the “Agence de l’Evaluation de la Recherche et de l’Enseignement Supérieur” (AERES - Research and Higher Education Assessment Agency) has been created. Assessment will be systematic (all the projects and institutions financed from public funds will be assessed), transparent (findings will be public) and monitored (the agency will check compliance with recommendations). Furthermore, the “Haut Conseil de la Science et de la Technologie” (HCST - High Council for Science and Technology) reporting directly to the President of the French Republic has been created to propose reforms of the research policy. This consultative body is made up of high-level figures chosen for their scientific and technological expertise (Decree of 22 September 2006). To foster partnerships between research and higher education two types of partnerships were proposed by the Government: the “Pôles de Recherche et d’Enseignement Supérieur” (PRES – Research and Higher Education Clusters) and the “Réseaux Thématiques de Recherche Avancée” (RTRA – Subject-Based Advanced Research Networks). The PRES provide an opportunity for the higher education and research establishments and the research bodies to pool their activities and resources based on a site logic. The RTRAs, which operate on a different albeit complementary basis, are designed to bring together a critical mass of top-level researchers to work on projects of excellence that foster the emergence of high-level scientific forums, recognised as leaders on the international scene. The Government has earmarked a budget of EUR 300 million to assist these initiatives. The Pluriannual

Research Policy Act also provided for incentive measures such as tax incentives (EUR 1.7 billion). In more detail tax breaks on research funding have been introduced (for payments to research bodies and firms and for taking shares in innovative SMEs and mutual investment funds for innovation). The “crédit d’impôt recherche” (research tax credit) has been revised in terms of the calculation base and inclusion of expenditure on sub-contracting and patent protection. Other reform measures focused on education. The adoption of the “Common Base of knowledge and skills” should enable the education systems and pupils to set targets and be assessed. The purpose of this was to build up the quality of education and the capacity for lifelong learning and employability. Under the Pluriannual Policy Act for the future of schools a renovation plan has been drawn up with the aim to achieve greater proficiency in foreign languages. In that context the Common European Framework of Reference for Languages (CEFR) has been adopted, a language certification measure has been set up in partnership with specialised bodies, and as of the start of the 2006 school year, all language class numbers were to be smaller to raise spoken language levels and the number of European sections was set to be raised. The Plan to boost Priority Education was presented on 8 February 2006 with a view to reducing the school drop out rate. The 2006 Budget Bill allocated to this plan a budget of EUR 930 million to concentrate more resources on the most disadvantaged pupils under the “Ambition Reussite” (Target Success) programme, which covers 249 networks of establishments.

4.13 HU - Hungary (2004-2006)

Table 14 Reforms in Hungary

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
HU	2004	1		0	1	3	4	1	10
	2005	0		3	2	3	5	2	15
	2006	3		3	1	7	11	5	30
	Total	4		6	4	13	20	8	55

The following reform measures have been collected for Hungary.

In **2004** the harmonisation of technical norms in the area of commodity trade, governing the distribution and safety of the groups considered as the most important ones in the internal trade of the European Union, the so-called horizontal rules pertaining to the operation of the internal market and the secondary community legislation concerning public procurements had been completed and the essential institutional system was also put in place by the date of Hungary’s EU accession. In the area of bankruptcy legislation, the “Act on bankruptcy procedures, liquidation and the final settlement of accounts” was amended in April 2004. Furthermore, to protect creditor’s interests, a temporary asset supervision system was introduced. In the policy domain “business environment and entrepreneurship” as part of the 2004 deregulation programme aimed at improving the business environment of enterprises, ministries were obliged to assess how they can reduce the administrative burdens borne by the population and businesses. Steps towards an improved business environment have also been taken in area of taxation system. The

first of these steps was the lowering of the corporate income tax rate from 18 per cent to 16 per cent. At the same time, the eligibility threshold to the development tax allowance was reduced to a third of the previous level substantially, thus broadening the range of eligible entities. Furthermore, the previous five-year limitation on the offsetting of accrued losses has been removed. An amount equalling 25 per cent of the local enterprise tax paid by an entity may be deducted from the basis of its corporate income tax which results in a substantial tax cut for entities operating with low levels of profitability. As a business support service, the Hungarian Investment and Trade Development Agency (ITDH) started to develop a “single-window” service system offering consultancy and providing information on available funding opportunities to facilitate access to funds. In the policy domain “knowledge-based economy” the Research and Technological Innovation Fund was launched in 2004 to function as funding source for the stimulation and supporting of the technological innovation of the economy of Hungary, to enable the strengthening of research and development along with the utilisation of domestic and foreign research achievements as well as the development of the innovation infrastructure and the related service providing activities. Provisions concerning the obligation for defining regulations on efficient management of the intellectual properties in the research institutions of Act CXXXIV of 2004 on Research and development and Technical Innovation entered into force on 1 January 2006. The law imposed the existence of valid institutional regulations as prerequisite for the conclusion of budget support agreements. 2004 saw the start of the “Közháló” (public network) programme installing terminal endpoints that grant broadband internet access. Furthermore, in 2004 the Government launched an application scheme to strengthen the relationship between the research sector and the business sector, to facilitate the creation of research and innovation networks. In order to promote the development of new methods and curricula required for competence based education and in-service training of teachers, a comprehensive measure has been launched in 2004. This measure covered the following levels and areas of education: a) at pre-primary and primary level (ISCED 0,1 and 2), the development of basic skills (literacy, numeracy), social competencies, general ICT-skills and basic career-building competences; b) at secondary level (ISCED 3), the further development of basic skills, as well as foreign language communication skills, ICT-skills and ‘career-building’ competences.

2005 saw the following reforms in Hungary. In order to comply with the Directive 2003/54/EC, the Natural Gas Supply Act (GET) has been amended; the Parliament passed the amendment of the Act on 20 June 2005 (Act LXIII of 2005 on amendment of Act XLII of 2003 on Natural Gas Supply). In the electricity sector, the Parliament passed the amendment of the Act on Electric Energy on 20 June 2005 (Act LXXIX of 2005 on the amendment of Act CX of 2001 on the Electric Energy). In the railway sector on 1 January 2006, Act CLXXXIII of 2005 on Railway Transport entered into force. At the time of the promulgation of the Railway Act, also the Hungarian Railway Office started its operation, with the main task of providing supervision of the railway market in way of liberalisation. The reform activities focused on “business environment and entrepreneurship” covered the following. With the view on access to finance and in compliance with the Hungarian Government’s resolution of May 2005 – a venture capital fund was implemented within the Group of Corvinus International Investment Ltd and

started its operation in December 2005. The venture capital fund programme is positioned in the initial stage of the financing range spreading from the micro loans through development loans up to the large scale development-oriented capital investments. The fund is principally targeted at the innovative small size enterprises with high growth potential that are ineligible for being funded from other sources, mainly from loans, due to the initial stage of their development, while being unable to start or further develop without inclusion of external sources. The Government has announced in summer 2005 the Enterprise Development Credit Programme with an allocation amount of HUF 310 billion. The programme grants favourable interest loans for improving the micro, small and medium size enterprises' employment ability, innovation and supply activities and to their environmental protection and health care oriented investments. Moreover, it grants additional funds to the development and investment related competitions, especially to those connected with the "New Hungary Development Plan". In order to enhance the efficiency of the legal system, a higher degree of publicity of the legislation and of law application was granted through (www.magyarorszag.hu). Two executive decrees of Act XC of 2005 on Freedom of Electronic Information entered into force on 1 January 2006 which determined the detailed regulations. The collection includes, in an updated and searchable manner, the unified text, integrated with the amendments, of all legal rules – except for municipality decrees – and of all other legal instruments of the state control published in Magyar Közlöny. In the area of "business taxation" the electronic taxation was extended. The system of electronic taxation started from January 2005, and has been extended by the tax authority (APEH) to the 10,000 largest tax payers. From April 2005, this possibility has been granted for everybody intending to make electronic tax return to make it through the governmental client gate after registration in the document bureau, by using an identifier and a password. In the area of the "knowledge-based economy" the following reform measures were adopted in 2005. With a view to encouraging R&D and innovation activities of the higher education institutions, rendering research more efficient and exploiting research achievements, Act CXXXIX of 2005 on Higher Education imposed the obligation on the institutes of higher education to elaborate R&D and innovation strategies as from 2006. Two new programmes were launched that aim at strengthening corporate innovation and innovative skills, the Irinyi János Programme, and the Baross Gábor Programme. With the objective of improving utilisation of R&D results and the development of co-operations with the business sector, three further programmes were launched: Jedlik Ányos Programme, Pázmány Péter Programme, Asbóth Oszkár lead industry innovation programme. Some measures focused on enhancing the use of ICT. In particular measures were concentrated on issues of framework regulations of the market, institutional framework of ICT-standardisation, and the utilisation of ICT in public administration and public services. The amendment of "Act CVIII of 2001 on some issues of the electronic commercial services and of the services connected with the information society" as from 1 January 2006 included provisions relating to the responsibilities of providers of information society related services, revision of some elements of the notification and removal procedure, reconstruction of the consumer protection rules connected with unsolicited electronic advertisements, and established the main principles concerning restriction of the information society related services. Moreover, through the amendment of the provisions requiring written form of the licence agreements of Act LXXVI of 1999 on

Copyrights, the wide spreading of the digital rights management (and, within this, on-line contracting and thus spreading of the new on-line market models) became possible. In the area of “education” we saw the start of the “Viaticum” Scholarship Programme from the school year 2005/2006, which has the purpose of creating equal chances for disadvantaged students and granting talent care for students having interest in mathematics, technical and natural sciences. In December 2005 the Parliament adopted the Higher Education Act (Act CXXXIX of 2005), according to which, starting in September 2006, the system of three-cycle education system was uniformly introduced in the Hungarian higher education, in compliance with the Bologna Process. In addition, the Act encouraged and supported strengthening of the universities’ innovation potential and of the education’s labour market relevance through several practical and organisational measures.

For the year **2006** the following Hungarian reform activities have been observed. As regards sector-specific regulation the amendments to Act CX of 2001 on Electric Energy (VET), Act XLII of 2003 on Natural Gas Supply (GET) and related regulations partially harmonised Hungarian legislation with the relevant internal market Directives of the EU. An amendment of the Public Procurement Act allowed bid inviters to make reference in their invitations to European, National or other international eco-labels when establishing certain environmental protection properties in the public procurement’s technical description. In terms of public procurement also provisions entered into force on the reduction of electronic prices (1 July 2006) and on dynamic procurement (1 January 2007). In the telecommunications sector as a result of the National Communications Authority’s decisions concerning mitigation of the termination and loop unbundling charges the service providers representing significant market power had to remarkably cut their single and monthly fees charged for loop unbundling. In the railway sector, the freight forwarding division has been segregated from Magyar Állami Vasúttársaság, starting independent activities as a company with legal entity under the name of MÁV Cargo Zrt. Some degree of market opening was undertaken in the pharmacists sector, which saw a gradual liberalisation of the opening of pharmacies. The monopolistic constraints at that time were removed and the sale of a defined number of non-prescription drugs was allowed for non-pharmacies. Regarding the business environment the following regulatory changes have been made. The Corporate Law (Act V/2006 on the publicity of companies, company registration procedures at court and final settlement) accelerated company registration procedures through the introduction of electronic procedures. The Parliament passed the Corporate Law Act together with Act IV of 2006 on Economic Companies at the beginning of 2006. Both legal rules entered into force on 1 July 2006. On 30 January 2006, the Minister of Justice issued the official methodology guide of the legislation’s impact studies. The project had the purpose of examining the impact assessment and consultation elements in submittals connected with the draft regulations. In this context partial mapping of the entire central legislation has been carried out which is a task for assessing the administrative burdens and for estimating the amount of the administrative burdens through application of the simplified cost model (Standard Cost Model – SCM). Assessments in this regard had been made in the field of taxes, social insurance, environmental protection and company registration. As regards taxation from 1 May 2006, electronic tax return was made obligatory for 50,000

enterprises. In addition to the fully electronic system of tax return also a “semi-electronic” system is operated, in which client programmes are also downloadable, however tax returns are submitted on paper to the APEH (tax authority). In the area of taxation in order to create balance, a number of measures were adopted such as an increase of the rate of simplified business tax from 15 per cent to 25 per cent (Implemented, 1 October 2006) and a special tax of 4 per cent for corporate businesses on their adjusted profit before taxes (Implemented, 1 September 2006). In order to enhance business support services a new regulation effective from 1 July 2006 provided that the Company Service (the former Company Information and Electronic Corporate Assistance Service) can offer legal consultation as well and that it operates the public registry for creditor protection from October 2007. In the same area the measure “supporting entrepreneurial corporation” aimed at enhancing cooperation in the entrepreneurial sector to diminish competition disadvantages. Further reform activities took place under the policy domain “knowledge-based economy”. The measure “improving the conditions of research, technology transfer and cooperation in publicly financed and non-profit research centres” aimed at the development of research infrastructure in publicly financed and non-profit research centres by promoting their involvement in domestic and international joint projects and their R&D services offered to the corporate sector. Furthermore, it aimed at further developing technological partnerships and networks and strengthening the technology transfer between publicly financed research institutes and companies. Another programme, the Pázmány Péter Programme was launched to create research universities with industrial background. The main aim of the programme is to let universities become genuine research universities and to help establishing new innovative companies and strengthen research and development companies. The Teller Ede Programme was established to support large R&D projects of Hungarian research institutions elaborating interdisciplinary technologies under bilateral or multilateral international R&D cooperation that may be used on the short or medium run. Regarding the further development of ICT infrastructure we saw the public network (Közznet) programme. This programme is aimed at providing broadband internet connection for public institutions such as all the primary and secondary schools, libraries, museums, municipalities, etc. The programme “further implementation of the broadband telecommunication infrastructure in underdeveloped regions” addressed the implementation of the broadband telecommunication infrastructure in economically underdeveloped regions where it has not been implemented due to business considerations. Furthermore, the programmes NAVA/NDA aim at creating and making available the cultural and professional digital archive. The three objectives of these programmes include developing the digital archives, ensuring a wider availability of the service-providing system; digitalising, processing and making available on-line the data archives of the cultural public institutions; digitalising, storing and providing on-line services on other “volunteering” audiovisual and cultural archives (e.g. library archives, Cinematography Archive, local televisions, etc.). The components of the programme related to the Digital National Library (DNL) include preparing the concept of the service, digitalising the material, converting digitalised books into service format, storing of master copies, storing of service copies, storing of text files and their indices, modernising the service infrastructure. The measure “development of electronic public administration” focused on three elements: implementation of e-administration in

Hungary; the implementation of electronic public services, and the programme for increasing IT security. With the purpose of broadening the use of ICT also the e-Hungary programme has been launched. The programme is aimed at ensuring gradually the availability of communal internet access points and e-Hungary Points in every settlement in Hungary within reasonable distance, where citizens are allowed access to information communication facilities, computers and Internet. This programme was complemented by the “digital contents industry programme” which aimed at the efficient production of data contents in Hungarian and foreign languages, creating possibilities of access, and developing the adequate content-generating infrastructure. A further measure related to the provision of ICT infrastructure was the creation of the National Spatial Data infrastructure. In the educational sector a series of measures entered into force from 1 September 2006, with the purpose of improving efficiency and effectiveness of the education system and promoting equal opportunities for children with unfavourable social background. The most important measures among them included: the termination of independent elementary schools with less than 8 years of classes, they continue their activities from school year 2008/2009 as member institutions of other schools; the introduction of a series of measures for the development and more consequent assertion of the institutional quality control programmes and of the teachers’ performance evaluation methods; the extension of reading and interpretation basic skills measurements to the tenth class of the vocational schools; and more funds for granting free of charge school-books for students in need through the entire public education system. Furthermore, the new Vocational School Development Programme II was started. The programme focussed on the reintegration of the young dropped out from the school-based education system. In the tertiary educational sector the Parliament amended the Higher Education Act on 24 July 2006 to introduce tuition fees at higher education institutes – except for Ph.D. students. This measure came into force from the academic year of 2007/2008. The tuition fee must be paid once a student completes two semesters, and thus his/her academic record can be established, as a basis for the tuition fee. The best performing 15 per cent of the students do not have to pay, while the socially disadvantaged students are exempted. Changes also related to student numbers. The maximum state-financed student numbers has been reduced and their structure changed (the ceilings for lawyers, liberal arts students, teachers and economist have been reduced, natural sciences, IT and technical students have been increased in numbers). In the area of post-graduate education, the Oveges Programme was launched to promote the education of future researchers, employment of post-doctors, and field trips abroad for young researchers.

4.14 IE - Ireland (2000-2001, 2003-2006)

Table 15 Reforms in Ireland

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	0	0	1	0	0	0	0	1
2001	0	0	0	0	0	1	0	1
2003	0	0	2	0	0	0	0	2
2004	1	1	4	0	1	3	0	10
2005	2	0	1	1	6	2	2	14
2006	1	2	1	2	1	1	1	9
Total	4	3	9	3	8	7	3	37

The data in MICREF covers reform measures for the period 2000 to 2006.

In **2000** the decision was taken to further liberalise postal services (from January 2006) by extending the reserved area from 100 grams to 50 grams for all postal operators as provided for in Directive 97/67/EC.

In **2001** the Innovation Partnership Programme was launched. The programme supports joint R&D projects involving companies and third-level institutes, where the bulk of R&D is carried out within a third level institute or a public research organisation.

The decision adopted in March **2003** fully opened the electricity market in February 2005 (in advance of over two years on the July 2007 deadline set down in the second EU Electricity Directive (2003/54/EC)). All electricity consumers were free to choose their licensed supplier. Regarding regulated professions we can note the establishment of an independent Commission for Taxi Regulation in September 2004 (decided in July 2003).

In **2004** in the microeconomic reform area we found the following reforms undertaken by Irish authorities. In the reform area “public procurement” the “www.etenders.gov.ie” portal was developed as part of the Government’s action plan on implementing the Information Society in Ireland. The website provides an online facility for publishing notices directly onto the Official Journal of the European Union (OJEU). In competition policy two Statutory Instruments commenced on 1 May 2004 to give national effect to the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, in accordance with EU Council Regulation 1/2003. These regulations designated the various national authorities that will be responsible for the implementation in the state of the public enforcement provisions of the Council Regulations. In the telecommunications sector in March 2004 the Minister for Communications, Marine and Natural Resources issued Policy Directions to the Commission for Communications Regulation (ComReg) under Section 13 of the Communications (Regulation) Act, 2002. The Directions focused on a number of key policy priorities for ComReg for the short to medium term, and included a general direction on competition and directions on mobile roaming, broadband, wholesale & retail line rental, interconnection and leased lines. ComReg is required to report regularly to the Minister on the implementation of these policy directions. In the gas sector these Regulations transposed the non-discretionary

provisions of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC relating to, inter alia, consumer protection, natural gas licences, accounting procedures and the functions of the independent regulator. On 1 July 2004, an Order came into effect further liberalising the natural gas market by making all non-household customers eligible to source their own gas and have it supplied to them at reasonable cost and on transparent and non-discriminatory conditions through the Bord Gáis Éireann (BGÉ) network. In accordance with EU Gas Directive 2003/55/EC, full-market opening came into effect on 1 July 2007 (sections 17 and 18 of the Energy (Miscellaneous Provisions) Act 2006). In air transportation the State Airports Act was enacted in July 2004. The Act provided a legislative basis for the restructuring of Aer Rianta and the establishment of Dublin, Cork and Shannon airports as independent airport authorities under State ownership. This included renaming Aer Rianta as the Dublin Airport Authority and incorporating Shannon and Cork Airport Authorities as public companies under the Companies Act. The incorporation of both Shannon and Cork airports took place on 16 September 2004 and Aer Rianta was renamed Dublin Airport Authority on 1 October 2004. In the policy field “R&D and innovation” the Government took a number of decisions to strengthen the oversight and review framework for national science, technology and innovation (STI) policy. The new structure includes a Cabinet Committee on STI, an Inter-Departmental Committee (IDC) on STI of Senior Officials to support the Cabinet Committee, a Chief Science Adviser (CSA) to Government and an Advisory Science Council to act as the primary interface between stakeholders and policymakers in the STI arena. Regulations on intellectual property were affected by the publication of a National Code of Practice for managing intellectual property (IP) from publicly funded research in January 2004. The code incorporated principles and guidelines for the management of IP. Finance Act 2004 introduced a 20 per cent tax credit for incremental expenditure on R&D. The credit is in addition to any normal tax deduction available to a company for R&D expenditure.

In **2005** for the Republic of Ireland the following reform measures can be found in the MICREF database. In order to achieve a higher degree of market integration rules in Finance Act 2005 allowed for tax relief for contributions to pensions schemes located in EU Member States. The measure helps both migrants and cross border service providers. In the area of public procurement a new National Public Procurement Policy Framework was published in May 2005 to drive a number of actions to be implemented by the National Public Procurement Policy Unit within the context of the National public procurement strategy (April 2002) such as a) capacity building in the public sector, which involves building organisational capacity to strategically manage procurement effort to maximise measurable savings and benefits; b) procurement aggregation which aims to reduce costs through leveraging public sector demand in certain markets; c) e-procurement to improve efficiency through the targeted use of low risk and cost effective technologies in supporting various aspects of procurement effort; and d) training and education which helps to develop people who have the range of capabilities necessary to sustain measurable improvements in procurement performance. Reform efforts also addressed the business environment. Under Enterprise Ireland’s “Transforming Irish Industry” Strategy launched in 2005 more than 210 new high potential start-up (HPSU)

companies were supported. Under its 2008-2010 strategy it aims to support 200 HPSUs by end 2010. Regarding the administrative regulations the Business Regulation Forum (BRF) was set up in October 2005, to discuss issues relating to the impact of regulation on business in Ireland, but is no longer in operation. The report published by the BRF in April 2007 made recommendations regarding the reduction of administrative burdens on business in Ireland. Following from this report, the Minister for Enterprise Trade and Employment established the High-level Group on Business Regulation, under the chairmanship of the Secretary General of his Department. In July 2005 “Guidelines on Consultation for Public Sector Bodies” were published which serve as a practical guide for use by government departments, public bodies and any other organisations that may wish to consult with stakeholders. The Guidelines are also of use to those who are interested in participating and responding to consultations. In this context, they are aimed at giving stakeholders a clear sense of the standards of consultation that should be expected from public bodies. The Guidelines are particularly relevant to public bodies with regulatory responsibilities, as consultation in advance of making regulations is accepted good practice and, in a number of cases, mandatory. A concrete measure to reduce administrative burden on enterprises was that employers whose annual PAYE & PRSI payments do not exceed EUR 30,000 have been enabled (from 1 April 2006) to return their PAYE and PRSI on a quarterly basis rather than monthly as before.⁸ The negative revenue impact is a one-off loss in cash-flow as the first and second month returns are now delayed until the third month of every quarter. The Government agreed, in June 2005, to introduce Regulatory Impact Analysis (RIA). RIA is a tool used to access the likely effects of a proposed new regulation or regulatory change. It involves a detailed analysis to ascertain whether new regulation would have a desired impact. The Irish model of RIA is an integrated one, and requires an analysis of the business, social, and environmental costs, benefits and likely impacts of a legislative proposal. As part of the Governments’ overall commitment to better regulation and regulatory reform, as set out in the 2004 White Paper “Regulating Better”, the Statute Law Revision (pre-1922) Act enacted in December 2005 removed 209 pieces of obsolete or redundant primary legislation from the Irish Statute Book. Furthermore, the Minister for Enterprise, Trade and Employment set up the Enterprise Advisory Group to advise on progress in achieving the Government’s Action Plan for new enterprise centred policies. This Group of senior enterprise executives was a new institutional arrangement to help respond to the strategic needs of business, to emphasise the evolving enterprise agenda in policymaking and above all to inform the Minister for Enterprise, Trade and Employment on progress in attaining the policy milestones set out in the Enterprise Strategy Group (ESG) Action Plan. Other reform measures focused on the “knowledge-based economy”. The National Code of Practice for managing intellectual property from publicly funded research (see 2004) was followed in November 2005 with a “Code of Practice for Managing and Commercialising Intellectual Property from Public-Private Collaborative Research”. This code provides a framework for parties to a collaborative research agreement to operate under. In line with this Code, Forfás has developed template collaboration agreements, designed to assist and enable the parties reach agreement in an efficient manner, by providing suggested clauses accompanied by detailed explanatory footnotes, together

⁸ PAYE: Pay as you earn, PRSI: Pay related social insurance.

with a decision guide to assist users.⁹ In order to support the participation of late adopters of technology in an inclusive Information Society by exploiting the potential of technology to foster communities of common interest through on-line services and networks the ASC (Access, Skills and Content) Initiative was established in 2005 to assist voluntary, not-for-profit organisations and service providers. In the field of “education” the action plan for educational inclusion “DEIS” (Delivering Equality of Opportunity in Schools) included pre-school interventions, supported for tackling children’s literacy problems, reduced pupil teacher ratios and measures to tackle early school leaving. Moreover, an additional EUR 510 million has been allocated under the new Strategic Innovation Fund introduced in Budget 2006, to be made available to 2013. The Fund aims to promote collaboration and reform in higher education with a view to enhancing the capacity of the system to meet future knowledge and skills objectives, particularly the establishment of fourth level (Ph.D.) tier of education.

For the year **2006** the following reform measures were observed in Ireland. In the field of public procurement the Expenditure Review Initiative was replaced in June 2006 with “Value for Money Policy Reviews” designed to better value for money from public expenditure and greater accountability in this regard. In the area of “competition policy” the Competition (Amendment) Act 2006 was introduced to repeal the Restrictive Practices (Groceries) Order of 1987 which prohibited practices such as selling below net invoice price, boycotting and ‘hello’ money.¹⁰ Its removal sought to introduce greater competition into the grocery trade by allowing retailers freedom to determine the process which they charge their customers. The 2006 Act also strengthened the existing provisions of the 2002 Act. In the electricity market we saw the establishment of the independent Transmission System Operator ‘EirGrid’ in July 2006 to assist in the development of a competitive electricity market. The establishment of EirGrid as a fully-fledged legally independent entity was a milestone of opening up the Irish electricity market in line with EU Internal Market legislation. Regarding “business environment and entrepreneurship”, two measures were particularly targeted at access to finance for SMEs. In January 2006 the Ministry for Enterprise, Trade and Employment announced the extension of the EI Community Enterprise Centre (CEC) Scheme which provided EUR 7 million of capital funding per year in the period 2006-2008. Moreover, in May 2006 and the Minister for Enterprise, Trade and Employment, announced that Enterprise Ireland would invest EUR 175 million in a new round of venture capital funding under the Seed and Venture Capital Scheme 2007-2012. In order to reduce administrative burdens one measure taken was the increase in VAT registration thresholds for small businesses from EUR 25,500 to EUR 27,500 in the case of services and from EUR 51,000 to EUR 55,000 in the case of goods to take effect from 1 May 2006. As set out in the National Reform Programme in 2005, the Irish Government completed the preparation of and published its Strategy for Science, Technology and Innovation 2006-2013 (SSTI) in June 2006. The SSTI represented a further step-change in national support for R&D and innovation with EUR 8.2 billion in investment over the period. The Institutions of Technology Act 2006 provided for the institutes to have greater autonomy

⁹ Forfas is Ireland’s national policy advisory body for enterprise and science.

¹⁰ ‘Hello money’ refers to payments of for instance farmers to retail chains in order to get their produce stocked in super markets.

in fulfilling their remit. This reform provided a more strategic approach to the development of higher education in line with national priorities. It also preserved the differentiation of mission between the different third level sectors in line with the OECD Review of Higher Education recommendations.

4.15 IT - Italy (2000-2001, 2004-2006)

Table 16 Reforms in Italy

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
IT	2000	0	0	1	0	0	0	0	1
	2001	0	0	1	0	0	0	0	1
	2004	1	0	3	1	4	1	2	12
	2005	0	0	0	0	1	7	0	8
	2006	2	1	1	1	0	6	1	12
	Total	3	1	6	2	5	14	3	34

Reform measures published in MICREF currently cover the periods 2000-2001 and 2004-2006 for Italy.

One reform measures has been recorded for the year **2000**. Adopted in 2000, the Electricity Power Exchange was launched in April 2004 providing investors with certainties on the functioning of market-oriented price mechanisms in the sector.

Regarding the fuel distribution network, in **2001** a voluntary Network Rationalisation Plan was signed by the oil companies. It ended in December 2003, as initially planned. However, due to the delay caused by the implementation of local legislations, in March 2004 the Antitrust Authority extended the Plan for another year.

In **2004** we saw the following reform measures. During the first semester of 2004, the rationalisation programme on Public Spending for Goods and Services has developed an e-procurement model through: a) the enlargement of the number of Public Administrations that can purchase; b) the focus on the use of the outline contracts by the Public administrations; c) stronger support in terms of consulting services; and d) the reinforcement of the partnership with the suppliers counterpart. In the energy sector the adoption of the Marzano Law represented a key measure. The law envisaged gradual liberalisation of demand; starting in July 2004 all industrial users became eligible to choose supplier and from 1 July 2007 all clients became eligible. The Marzano Law also aimed at enhancing the imports by easing the construction of interconnections with other European networks. In the electricity sector the Prime Minister's Decree of May 2004 established the reunification of management and ownership of the transmission network under a single subject (GRTN – the Italian transmission network operator) and its future privatisation. In order to ensure the new entity's independence it has been decided that, as of July 2007, no firm operating in the electricity sector (in segments other than transmission) may have a stake of more than 20 per cent of the new entity's capital. Furthermore, special corporate governance guidelines have been introduced to strengthen the transmission grid operator's impartiality such as that no shareholder is allowed to

exercise his rights over a maximum limit of 5 per cent of capital. In the railway sector the organisational framework for the establishment of a regulatory body for the railway sector was defined. Provisions regarding the regulatory body were part of a Presidential Decree dealing with a broader reorganisation of the Ministry, approved in July 2004. In the policy domain “business environment and entrepreneurship” the following reform measures have been taken. With the purpose of reducing administrative burdens the “Regulation for the simplification of the procedures” was approved that relates to the automatic cancellation from the register of businesses no longer active. Further measures focused on e-government. The “eGovernance services for corporates portal” was established as an instrument to simplify administrative relations between businesses and public administration. Its objective is to provide 20 services on line, including registrations, changes and cancellations, opening of new local branches, regularising social security and insurance contributions, registering new staff, etc., and setting up a technological communications platform for integrated management of administrative requirements for businesses. Moreover, activated under the 2005 Budget Law (Italian Law 311/04) and Italian Law 80/05 the “electronic tax return” system enabled businesses to access the database operated by the income tax authorities to, inter alia, file their tax returns. In the area of “R&D and innovation” there was the set up of the Industrial Liaison Office (ILO). The Industrial Liaison Office project enables structures to be set up and strengthened in order to promote greater interaction between universities and the productive system, and to develop an active presence on the part of the universities in these structures and in activities of technological transfer. A fiscal incentive to enhance private R&D activities was the implementation of an intervention that grants loans to financial intermediaries for the acquisition of participations in innovative companies (Ministry of Industry Decrees of 19 January 2004). This measure was enacted in 2004. Two reforms were carried out in the educational sector. The Legislative Decree 59/2004 introduced the teaching of English as a second language in the primary school. In the area of tertiary education, the Scientific Degrees Project sought to encourage young people to start enrolling again for scientific degrees via measures that aim to stimulate their interest in this kind of subject, to provide more adequate preparation in basic science subjects at the upper middle school level, and increase the interaction between university and business in order to facilitate young people’s entry to the work place.

In **2005** the measures undertaken by Italian authorities involved the following reforms. The 2005 Budget Law (Italian Law 311/04) and Italian Law 80/05 activated a series of instruments for tax relief for small and medium size businesses such as a) savings on Italian regional production tax as a result of higher deductions; b) prizes for concentration, which are granted to micro-businesses and SMEs which take part in business concentrations; c) deductions to increase the employment base. A number of reforms focused on the knowledge-based economy. The 2005-2007 National Research Programme (NRP) was adopted in order to act as the point of reference for all initiatives to be promoted. General measures reflected in the Plan consisted of: a) reorganising the national research system; b) granting research and development spending incentives; and c) encouraging innovation and technology transfer. In terms of setting incentives for more R&D the 2006 Budget Law (Italian Law 266/05) stipulated that, on a preliminary and experimental basis for the 2006 financial year, a citizen may choose to earmark five-

thousandths of his or her income tax to support organisations operating in the field of scientific research, university and/or voluntary work. In the area of intellectual property rights a high commissioner to combat counterfeiting was established, with the following assignments: a) to protect scientific research and technological innovation both within and outside Italy; b) to monitor reforms currently in existence in order to be able to propose, where appropriate, regulatory instruments which are more suitable for preventing counterfeiting and pirating; c) to improve the patent protection of Italian companies; and d) to work together with business to record and monitor illicit phenomena. Furthermore, it was introduced that patent deeds may be deposited electronically under the terms of an agreement between the Italian Ministry of Economic Development, the Italian Patent Office (UIBM) and Unioncamere.¹¹ Also, a new Code on Industrial Property came into force on 19 March 2005 (Legislative Decree 30/2005). Further activities in the policy field “R&D and innovation” were the launch of the second cycle of the project for port traffic control, with radar systems that can control and optimise traffic in port spaces and straits, and the initiation of twelve strategic research programmes to re-launch Italian industry research. The programmes were intended to stimulate co-operation between the business world and the research system. Ten of the Programmes were identified by the 2005-2007 National Research Programme, and two of them were added under CIPE resolution approved on 15 July 2005.¹² Under Italian Ministerial Decree 1621/05, businesses, universities, public research entities and other public or private bodies have been invited to submit joint projects.

In **2006** we saw the following reform measures in Italy. Two measures aimed at enforcing internal market regulations. In this respect a task force has been created within the Department of European Policies with the dual objective of reducing the number of existing infringement procedures and finding methods to prevent new cases. Moreover, a major deterrent on future infringement procedures will be ensured by Article 1 of the 2007 Budget Law, which provided that the Italian state is entitled to claim against the persons or entities responsible for financial expenses incurred as a result of being found guilty by the European Courts of Justice and/or Human Rights. In particular, the state is entitled to claim against the regional authorities, the independent provinces of Trento and Bolzano, local entities, and other public entities. In the area of competition policy Law 248/2006 (Decree Law 223/2006) introduced precautionary powers: the Antitrust may decide ex officio that interim measures must be adopted in case of serious and irreparable damage to competitiveness. Furthermore, the law stated that companies investigated may offer the Antitrust a commitment to correct the anti-competitive conduct. Finally, a leniency programme has been stipulated, giving the Antitrust the possibility to reduce or not apply fines in case of assistance by companies under investigation in ascertaining infringements of competition rules. The Decree Law 223 of 4 July 2006 (converted, with some modifications, into the Law 248 of 4 August 2006) eliminated a series of existing restrictions on exercise of trade in the following sectors: notaries, liberal professions, insurances, banks and taxi. In the reform area “rules for a second start of businesses” Italian Legislative Decree 5/06 brought about a wide-ranging reform of procedures for dealing with cases of bankruptcy. The system has moved away from a liquidation

¹¹ The abbreviation UIBM refers to “Ufficio Italiano Brevetti e Marchi” the Italian Patent Office.

¹² CIPE is the Comitato interministeriale per la programmazione economica.

procedure, with the company's outstanding assets being frozen and involved in a major, time-consuming litigation, to a more flexible procedure aimed rather at recovering productive capacity. The execution of the procedure has also been simplified with greater emphasis being given to entrusting the assets to professionals external to the judicial apparatus for independent management, who decide whether or not trade relations in course should be continued, and plan compositions with creditors. Other reform measures during 2006 were targeted towards the knowledge-based economy: The means through which public funds for research are allocated has been reorganised. The Fund for investment in scientific and technological research (FIRST) brought together the three existing funds (PRIN, FAR and FIRB) operated by the Ministero dell'Università e della Ricerca (MUR) and the resources of the Fund for Under-utilized Areas (FAS).¹³ FIRST also received additional funds which brought it up to EUR 500 million for 2007 and 2008, and EUR 560 million for 2009, plus additional resources from the CIPE. Moreover, provision has been made at the 2007 Budget Law for an extraordinary three-year plan for taking on research staff, estimated at 2,000 persons, with funding of EUR 20 million for 2007, EUR 40 million for 2008 and EUR 80 million for 2009. Moreover, the National Aerospace Plan (PASN) 2006-2008 has been approved. The plan is intended to strengthen Italy's presence in space and give priority to investments in sectors of excellence (e.g. observation of the earth and the universe, transport systems etc.) and maintain the level of investment necessary to develop innovative uses in already mature segments (i.e. telecommunications, satellite navigation, medicine and bio-technologies, human life in space). With a view on enhancing fiscal incentives for private R&D activities, the 2007 Budget Law made provisions for a new tax credit of ten per cent of the cost incurred in respect of industrial research activity and pre-competitive development. This rises to fifteen per cent if the costs are in connection with contracts entered into with universities and public research entities, in order promote closer networking between the business and science communities. Funds of EUR 300 million per year have been set aside for a period of three years. The maximum grantable amount of tax credit is of EUR 15 million. Furthermore, provision has been made in the 2007 Budget for a fund to be established at the Ministry of Communications in order to support the switch to digital technologies covering the period 2007-2009. The Industrial innovation projects provided for in the Industria 2015 draft law presented in September 2006 aimed at co-ordinating the activities of large-scale public and private enterprises, industrial and technological districts and the world of research and innovation. The programme's objective is to encourage the creation of partnerships between large-scale public and private enterprises, industrial and technological districts (universities, research centres, private enterprises and financial capitals) of national and international scope. The main goals of this industrial policy have been included in the Budget Law 2007, with the creation of the Fund for Competitiveness and Development and the Fund for facilitating the access to the credit market. In order to ensure an improved monitoring of research activities it was decided to establish a National Agency for University and Research Assessment (ANVUR) (foreseen in the decree n. 262 of 3 October 2006, converted, with some modifications, into Law 286 of 24 November 2006). With funding of EUR 5 million, it will have the task of assessing the results of teaching and research carried out

¹³ PRIN: Progetti di Ricerca di Interesse Nazionale; FAR: FIRB: Fondo per Gli investimenti della Ricerca di base; FAR: Fondo per le Agevolazioni alla Ricerca; FAS: Fondo per le aree sottoutilizzate.

at Italian universities, public entities and private entities in receipt of public funds, in accordance with principles of impartiality and independence. The results of such assessment activity shall form the basis for allocation of state funding in the future.

4.16 LT - Lithuania (2004-2006)

Table 17 Reforms in Lithuania

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
LT	2004	6	1	7	0	5	3	4	26
	2005	1	0	0	0	3	4	2	10
	2006	0	0	0	1	3	2	1	7
	Total	7	1	7	1	11	9	7	43

MICREF covers microeconomic reforms for period 2004-2006 for Lithuania.

The measures adopted in **2004** were the following. With the adoption of amendments to the Law on Value Added Tax (Law No IX-1960 of 15 January 2004) and the Law on Excise Duty (Law No IX-1987 of 29 January 2004), the EU legal acts on taxation with VAT and excises have been fully transposed to national legislation since 1 May 2004. The amended Laws enforced new principles of administration of these taxes, according to which the taxes are imposed on transactions between economic entities of different EU Member States. In order to ensure a uniform application of profit tax reliefs to entities established in free economic zones, irrespective of the origin of capital invested, and to implement the provisions of the European Union Code of Conduct for Business Taxation which entitle the European Commission to regard a state which applies additional tax incentives to foreign taxpayers as a state of potentially harmful tax competition, relevant amendments to the Law on Profit Tax were adopted on 30 March 2004 (Law No IX-2091). In the area of public procurement the first stage of the transposition of public procurement into the electronic medium started in 2004, i.e. the establishment of the central public procurement system. Since 1 May 2004, Lithuania has eliminated import and export licences for oil products but continued to licence wholesale and retail trade in bulk oil products. Lithuania's accession to the EU on 1 May 2004 also brought changes in foreign trade relations. From the date of accession, trade barriers between the old and new EU Member States were removed, resulting in the creation of favourable conditions for trade between EU Member States. As part of the preparations for the membership in the EU, on 15 April 2004 Law No IX-2126 was adopted to create legal preconditions for the effective implementation of competition policy upon the accession to the EU and to amend or to repeal certain provisions of the Law on Competition which have proved ineffective. The law has been supplemented by a set of provisions which enable the Competition Council to act more effectively in protecting freedom of fair competition. These provisions are mainly related to stricter sanctions. In economic sectors we saw the following reform measures. On 21 January 2004, the Government adopted Resolution No 55 on the Approval of the Lithuanian Postal Sector Development Strategy 2004-2008. The implementation of the Strategy was to result in the liberalisation of the postal market, better accessibility to universal postal services, and higher efficiency of the reformed

state-owned post. Later that year on 25 May 2004, the Seimas passed the Law on the Reorganisation of the State Undertaking Lithuanian Post Office to the Public Limited Liability Company National Post Office, which regulates the procedure for reorganisation of the National Post Office from a state undertaking to a public limited liability company to be fully owned by the state. Moreover, on 1 May 2004, a new version of the Postal Law consistent with the EU acquis came into force. In the gas sector, since 1 January 2004 the status of a free user has been given to the consumers who consume over 1 million cubic meters of natural gas annually. The Law on Electricity was further amended in 2004 to bring it in line with Directives of the European Union. On 1 July 2004, all but private consumers became eligible consumers. The law also provided that all consumers have to be given the status of an eligible consumer no later than by 1 July 2007. In the railways sector with the view to ensuring successful implementation of the Strategy for the Reform of the Railway Sector 2003-2006, the Seimas passed, on 8 April 2004, the Law on the Reform of the Railway Sector. The Law defined the goals of the railway sector reform, the procedure and stages of the implementation of the reform, the functions of the railway infrastructure manager and the specifics of monitoring these functions during the course of the reform, and the financing sources for the upgrading and development of public railway infrastructure. On 1 May 2004, the Infrastructure Property Board was established within the company AB Lietuvos Geležinkeliai. In this way, one of the key goals of the railway sector reform was implemented, i.e. passenger, luggage and freight transportation services were separated from the public railway infrastructure maintenance and management. In the area of “business environment and entrepreneurship” the Strategy for the Development of Public Administration until 2010 was approved by the Government on 28 April 2004. The strategy aimed at modernising the public administration system by developing a transparent and result-oriented public administration providing high quality services to citizens based on information technologies. As regards the taxation system a new version of the Law on Tax Administration was adopted in 2004. This new law regulated, with a higher degree of precision, consistency and detail, tax administration procedures and adjusted the focus of activities of the tax administrator, by attaching a priority to the promotion of voluntary payment of taxes and to the provision of assistance to the taxpayer in the field of legal compliance. In 2004, also the Law on Profit Tax was amended in order to improve the conditions for small businesses. A share (equivalent to LTL 25,000) of the taxable profit of a sole proprietorship and partnership with no more than 10 employees and with income of no more than LTL 1 million over the taxable period shall be taxed at a zero rate. A set of secondary legislation was passed in 2004, as means to ensure the implementation of the provisions of the Law on Profit Tax and the Law on Income Tax of Individuals obliging taxpayers to transact at arm’s length and, in the failure to do so, entitling the tax administrator to adjust transaction values. Two reforms aimed at the provision of business support services. In the beginning of 2004, the Business Development Support project was launched under the PHARE 2002 Economic and Social Cohesion Programme. Three measures were adopted to enhance the use of ICT. An incentive established in Amendments to the Law on Income Tax of Individuals of 2004 aimed at the promotion of the motivation to learn and the development of information society. It allowed the reduction of taxable income with expenses, not exceeding LTL 4,000, on the acquisition of one personal computer with software in the period of three years and/or on

the installation of internet access together with the cost of acquisition of the equipment needed for internet access, and provided for a refund of a share of the income tax paid. On 15 September 2004 the Government approved the General Computer Literacy Programme with a view to raising and developing the country's population skills to use ICT and at co-financing of computer literacy training. On 1 May 2004, the Law on Electronic Communications came into force. The law regulated social relations in the field of electronic communications services and networks and associated facilities and services, use of electronic communications resources, radio equipment, terminal equipment and electromagnetic compatibility. In the educational sector the following measures have been taken. Approved by the Minister of Education, the "Programme for the Introduction of the Information and Communication Technology into the Lithuanian Education for 2005–2007" was procured. A new Payment System for Teachers was approved by Resolution No. 1231 of 30 September 2004. Furthermore, the Regulations of the Establishment of the Network of Schools Pursuing Formal Education Programmes have been approved on 14 June 2004. Finally, EU support ("Development of Infrastructure of Labour Market, Education, Vocational Training, Research and Study Institutions and Social Services -supplementing the ESF measures") was legally enforced by orders of the Minister of Education and Science.

In **2005** we have seen the following reforms undertaken by Lithuanian authorities. On 31 January 2006 a new version of the Law on Public Procurement came into effect which was adopted 22 December 2005. This law combined the provisions of the Directives 2004/17/EC coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors and 2004/18/EC on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts. The provisions of the Law of Public Procurement enable procuring organisations to settle the matters of acquisition of the required goods, services or works in more innovative manner. Regarding the development of e-government the regulations for the functioning of the e-government Portal in the Provision of Public e-services were drafted and approved by Order No. T-127 of 30 December 2005. Moreover, the Ministry of the Interior prepared an e-government implementation plan till year 2012, which was approved by the Government in order to stimulate electronic services. The plan was prepared according to a list of 20 basic services and other services which Lithuanian public institutions are going to transfer into the electronic space. In the area of business support services the description of strategic trends for the development of small and medium business until 2008 and the description of the measures for the development of small and medium business until the years 2005-2008 have been approved. Further reform efforts related to the knowledge-based economy. With the purpose of developing the innovation and entrepreneurial culture the national internet portal "www.inovacijos.lt" has been created. This portal is a tool for disseminating information about innovative activities of enterprises, recent EU and national innovation policy measures, campaigns and other events, and it also performs the functions of the innovation library and promotes science and business cooperation providing scientific proposals to business. The ICT infrastructure in Lithuania has been further developed through the Rural Broadband Information Technologies Network (RAIN) in 2005. The aim of RAIN was to provide by 2008 all public administration institutions of rural

neighbourhoods, hospitals, laboratories, schools, museums, libraries, and public internet access points with broadband data transmission access and to guarantee its use in effective and sound manner for the development of rural areas as provided for in the National Long-term Development Strategy, the Broadband Communication Strategy, the Long-term Economic Development Strategy of Lithuania until 2015 (approved on 12 June 2002), the Strategy adopted by the European Union Lisbon Summit and the Action Plan of e-Europe for 2005. The Broadband Communication Infrastructure Development Strategy 2005-2010 was approved by Government Resolution No. 1231 with a view to implement the objectives set forth under the Long-term Economic Development Strategy until 2015. The tasks provided for in the Strategy are as follows: a) by 1 January 2009 - to connect to the broadband communication networks 100 per cent of public administration authorities and institutions; b) by 1 January 2010 – to provide connection to the existing broadband communication networks to all SMEs and individuals willing to acquire such connection in 98 per cent of the country's territory. In 2005 the Government also approved the Strategy for Information Society Development in Lithuania. Two measures were focused on the educational sector. The “Programme for Reconstruction and Provision with Teaching Aids of General Education and Professional Schools 2006–2008” aimed at the reconstruction of buildings heating, the saving of electric energy, and the improvement of learning and sanitary conditions for about 50,000 pupils of schools of general and vocational education. Moreover, the financing of the measure “Improvement of the Quality of Human Resources in the Field of Scientific Research and Innovations” with total amount of LTL 120.66 million (of which EU share makes up LTL 90,499 million (75 per cent) was legally enforced.

For the year **2006** the following reforms have been stored in the database. As regards easing businesses' access to finance, the drafting of the legal framework necessary for micro crediting was completed in 2006, and the provision of micro credits to smallest businesses was started (loans up to EUR 25,000). In terms of administrative regulations the “Methodology for Identifying and Assessing Administrative Burdens on Business” has been drafted and approved by the Minister of Economy Order in May 2006. This Methodology regulates the identification and measurement of the administrative burden resulting from obligations enshrined in legal acts to provide information. On 29 March 2006, the Government issued the Resolution No. 307 approving the Plan of Measures for the Implementation of e-government, which established the obligations of Lithuanian authorities with regard to transferring public services administered by them to e-media. In the area of business support services in March 2006 the Strategic Guidelines for Export Development and Promotion were approved. The guidelines provided more favourable conditions for economic entities to find new trade partners. Under the domain “knowledge-based economy”, the system of intellectual property rights protection was approved by transposing the respective EU Directives, concurrently providing financial support facilitating the patenting abroad. Moreover, in 2006, the Project “Development of PIAPs (public internet access points)” financed from the EU SF was launched. By 2008, another 400 PIAPs were to be set up in Lithuania and existing ones were to be upgraded. In the field of education the Government adopted the Resolution No. 335 of 5 April 2006 on the Approval of the Higher Education Development Plan for 2006-2010.

4.17 LU - Luxembourg (2004-2006)

Table 18 Reforms in Luxembourg

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
LU	2004	0	3	0	2	3	2	0	10
	2005	0	0	0	1	2	3	0	6
	2006	2	0	2	0	0	4	1	9
	Total	2	3	2	3	5	9	1	25

For Luxembourg these are the microeconomic reforms recorded in the database:

In **2004** the new Competition Law dated 17 May 2004 which replaced prior legislation, stipulated that “Prices of goods, products and services are freely determined by the unrestricted play of competition”. Nonetheless “in the event of failure in the market in one or several given sectors resulting from a crisis situation, under exceptional circumstances or a manifestly abnormal situation in the market, the Grand Duchy of Luxembourg may enact temporary measures lasting up to six months to prevent excessive price fluctuations”. A Competition Council was set up as an independent entity and given the responsibility of sanctioning illegal agreements and cases of abuse of dominant position. Regarding state aid the Grand-Duchy of Luxembourg continued with its reorientation efforts concerning state aids towards horizontal objectives. Since 2004, the system of assistance favours investments in environmental protection, the rational usage of energy from renewable resources and also the production facilities of such energy. With a view to facilitate the set up of new businesses since 14 May 2004, the web site of the Ministry of Small and Medium Business, Tourism and Housing, introduced the main points regarding the Ministry’s activities and the various action plans aimed at promoting SMEs and information about commercial practices. The site can also be used to obtain information concerning procedures to follow for obtaining approval to establish businesses and downloading the necessary forms for getting this approval. In addition, an interactive profiling system can be used to obtain accurate information independently. The Law of 15 June 2004 relating to venture capital companies (SICAR) aimed at bringing together “venture capital” and “private equity” in a specialised undertaking. As a new product for the financial market, the venture capital company offers a balanced system for a whole range of public and private investors, which are not entirely covered by the legal instruments currently available. In the area “improving the quality of regulations” the Government implemented a National Committee for Administrative Simplification (Comité national pour la simplification administrative en faveur des entreprises, CNSAE) to benefit companies. Furthermore, the Portal “Single-window interface for companies” (Portail Entreprise), approved in November 2004, is an online platform that serves as an interface for communications between companies, the public administration and company organisations. The action plan for “Entrepreneurship”, launched on 19 February 2004 by the Ministry of Small and Medium Business, Tourism and Housing, intended to better coordinate initiatives developed by the various ministries to improve visibility and efficiency of the Government’s policy in this domain. In the policy field “R&D and innovation”, the year 2004 marked a change in the Public Research Centres (PRC) financing logic. In the transition toward a multiyear financing

model, based on a multi-year scientific and technological work plan and a strategic paper, which is governed by conventions and performance contracts and formalised by a list of performance indicators used to follow up on strategic, technological and scientific ambitions of the research centres, the financing structure of PRC underwent a pilot transitory phase between 2004 and 2006. The project-by-project financing system, used until the end of 2003, involved a considerable administrative effort and had inherently limited flexibility. This model was replaced beginning in 2004 with a system of financing by strategic avenue of approach, grouping the different research activities in a research facility in a given year on the basis of multi-year work plans. Using this logic, more ex-post facto evaluations will be made and progress will be measured with relation to the initial research projections as laid out in the multi-year programmes. This strategic avenue of approach financing involves more significant third-party financing that varies from centre to centre and depends on the type of activity. Regarding the use of ICT, the Law dated 14 August 2000 concerning e-commerce was amended by a Law dated 5 July 2004. By integrating all of the aspects concerning the protection of consumers that pertain to e-commerce this new law completed the transposition of Directive 97/7/EC.

Reform measures undertaken in Luxembourg in the year **2005** are described in what follows. A new impact evaluation sheet for legislative and regulatory measures was introduced in order to analyse associated administrative burdens. This sheet was to accompany all draft bills and Grand-Ducal regulations. A project aimed at supporting businesses was the electronic platform entitled the Business Plan Toolbox created by the International University Institute of Luxembourg (IUIL), in collaboration with the University of Luxembourg. It is an online aid intended for future business, micro-enterprises and SME entrepreneurs and it acts as a support services centre for their processes, provides help in formulating business plans and complying with the essential administrative formalities. In the area of the knowledge-based economy, the Government decided to request OECD to carry out a critical evaluation of the nation's research and innovation mechanism. The report was published in May 2006. The National Research Fund devised a programme in December 2005 entitled "Promoting International Cooperation" (INTER). The goal of the programme was to promote international scientific cooperation, to create synergies between Luxembourg and foreign research centres and to provide a better approach to resolving certain cross-border issues and subjects. In order to address issues of IT-Security the company LuxTrust S.A. was established in November 2005 as a partnership of the Luxembourg Government, which holds 66 per cent of share capital, and some prime players of the private sector in Luxembourg. LuxTrust is a certification authority that issues and manages extremely high level security electronic certificates to meet the security requirements of electronic business for the Government, the financial sector and other players in the Luxembourg economy, while keeping an international orientation through the adoption of internationally recognised standards.

In **2006** Luxembourgish reform efforts centred on the areas "open competitive markets" and "knowledge-based economy". Via a circular from the Prime Minister to the members of the Government Council in July 2006 it has acquired a mechanism that aims to guarantee the immediate transposition of Directives that impact the internal market and

also all Community Directives. The role of the delegate Minister of Foreign Affairs with regard to follow-up and coordination concerning this mechanism on the national level was strengthened and confirmed by the circular. In order to promote foreign direct investment, the Government has bolstered the network of offices of the Board of Economic Development (BED) abroad. In 2006, new offices were established as part of the Luxembourg consulates in Shanghai and in Dubai. In the energy sector in August 2006 the Government submitted two bills to Parliament dealing with the organisation of the electricity and natural gas markets. These bills transposed the European Directives 2003/54/CE for electricity and 2003/55/CE for natural gas that aim at an accelerated establishment of the domestic energy market. The two bills also transposed two Directives relating to security of supply of electrical power and natural gas (Directives 2005/89/CE and 2004/67/CE). The application of this new legislation provided economic players with non-discriminatory access to markets as well as greater transparency. In the area of “R&D and innovation” we saw an increase of public funds allocated for R&D. Furthermore, the National Research Fund (NRF) launched a long-term forecast by theme in January of 2006 with the goal of pinpointing research subjects of socio-economic interest for Luxembourg that could involve all of the players concerned, public and private, as well as civil society. In terms mobility of researchers, a Grand-Ducal regulation specified several modifications to the measures applicable for employing foreign workers in Luxembourg. It is no longer necessary for non-Community researchers who stay in Luxembourg for a period under three months as part of scientific exchanges or research work to obtain a work permit. In addition, the procedure for obtaining work permits has been simplified. It is no longer necessary to obtain a bank guarantee prior to receiving a work permit, which accelerates the process. In July 2006, the Government introduced a new bill pertaining to information highways. The goal of information highways is to improve Luxembourg’s international connectivity by introducing a very high speed network between the centre of Luxembourg and the primary internet access centres abroad. In September 2006, the Government approved a multi-year founding contract between the State and the University of Luxembourg. The contract, concluded for a period of four years, applies to the general policy of the university, its strategic choices, its objectives and its activities in the areas of teaching, research, student mobility and administration.

4.18 LV - Latvia (2004-2006)

Table 19 Reforms in Latvia

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
LV	2004	3	0	2	0	1	1	0	7
	2005	0	0	3	1	1	5	0	10
	2006	2	1	1	4	3	8	3	22
	Total	5	1	6	5	5	14	3	39

MICREF covers the period 2004-2006 for Latvia.

For **2004**, the year in which Latvia joined the European Union, we have identified the following reform measures. A number of measures implemented European standards into Latvian law. On 7 April 2004 the Saeima adopted the new Product and Services Safety Law that transposed the requirements of the EU Directive 2001/95/EC and came into force on 1 May 2004. On 1 April 2004 the Saeima adopted amendments to the Law on Conformity Assessment establishing the principle of mutual recognition. Additionally, to ensure a full compliance with the *acquis communautaire*, amendments to the “Law on Procurement for State or Local Government Needs” and to the “Regulations on Procurement for Public Service Provider Needs” were adopted in 2004. These amendments were developed according to the requirements of the Directives 92/50/EEC, 93/96/EEC, 97/52/EC, 89/665/EEC, 2004/17/EC and 92/13/EEC. In accordance with requirements of the law, the Procurement Monitoring Bureau ensures: supervision of procurement procedure legality, provision of methodological information and consultation (help desk), instruction, procedure verification, and processing of complaints on procurement procedures. In the telecommunications sector on 28 October 2004 the new Electronic Communication Law was approved. The law envisaged the strengthening of competition in the sector and completed harmonisation of Latvian legal acts with EU requirements. In the railways sector the amendments to the Law on Railway came into force on 7 April 2004 implementing provisions of the Second Railway Package. As regards the business environment a new Action Plan was adopted by the Cabinet of Ministers on 21 September 2004. This “Action Plan for Improvement of Business Environment” is carried out annually. It is an interministry policy planning document that includes directions for implementation of business environment improvement policy, tasks, measures, responsible institutions, indicators for task fulfilment assessment, and fulfilment terms. The 2004 Action Plan contained actions to improve the business environment such as: introduction of e-government services, reduction of notarial certification requirements, perfection of analytical basis of anti-corruption policy, introduction of simplified company liquidation process to ensure protection of creditors in insolvency cases, improvement of insolvency processes. In the area of “intellectual property rights” in order to make available large-scale information on patents, design samples and trademarks the Patent Office, in collaboration with the Patent and Technology Library of Latvia and the Latvian Chamber of Commerce and Industry, opened the Regional Information Centre of Latgale in Rezekne in April 2004. The centre also informs on EU and Latvian laws and regulations in the field of industrial property protection. In the field “R&D and innovation” the national programme “Support for Modernisation of Scientific Infrastructure in State Research Institutions” is taking place since 2004, attracting co-funding from ERDF. It has the goal to modernise infrastructure in state research institutions that carry out scientific research in priority scientific disciplines.

In total, 10 reforms have been collected for the year **2005**. The Electricity Market Law adopted in February 2005 introduced the main conditions of the electricity market. According to these conditions, eligible users (all users, with the exception of households) can freely choose an electricity supplier for non-regulated price that is set in bilateral agreements between user and supplier. As from 1 July 2007 also households have rights to participate in the electricity market. Moreover, after approval of the Electricity

Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC and to meet the requirements of the new Electricity Directive, the Government approved the “Guidelines for Creation of Preconditions for Electricity Market in Latvia” on 23 July 2004. The document envisaged transfer of all transmission system operator functions to JSC “Augstsprieguma tīkls” fully owned by SJSC Latvenergo by 1 March 2005. By 1 January 2005 a structural unit of Latvenergo was formed that provided distribution services and carried out all public trader functions. It was provided that by 1 July 2007 the functions of distribution system operator and public trader were to be transferred to two new joint stock companies fully owned by Latvenergo. In order to enhance entrepreneurial activity a venture capital fund with total financing to the amount of LVL 10.3 million (75 per cent of which are EU structural funds) was established by the Latvian Guarantee Agency in 2005. In the field of “e-government” we saw the normative acts: Cabinet of Ministers Regulation 572 “Regulations for Registration of State Information Systems” of 2 August 2005, Cabinet of Ministers Regulation 764 “General Technical Requirements for State Information Systems” of 11 October 2005, and Cabinet of Ministers Regulation 765 “General Safety Requirements for State Information Systems” of 11 October 2005. Two reforms affected the allocation of public resources towards R&D. According to the “Law on research activities” the Cabinet of Ministers five state programmes were approved on 20 July 2005 in the areas information technologies, organic synthesis and biomedicine, material science, forestry and wood processing technology, and Letonica (Latvian studies). Furthermore, the Law on Scientific Activity prescribed an annual increase in finance for scientific activity in the state budget of at least 0.15 per cent of GDP or LVL 10-15 million, and at the same time improving the procedure of granting public financing for scientific activity set out by the normative acts, in order to ensure attraction of private investment and to improve conditions of finance for research commissioned by public administration bodies and market-oriented research. Two reform measures aimed at the further development of ICT infrastructure. The “Broadband Network Development Strategy for 2006-2012” envisaged provision of public and ERDF financing to entrepreneurs in the amount of 35 per cent of the appropriate costs, so that they would expand infrastructure of broadband networks in distant territories. The tender of open projects in the framework of the activity “Development of Public Internet Access Points” was concluded in November 2005. The project envisaged creating new public internet access points and developing the already existing ones. With the purpose of improving the technology transfer system, the establishment of technology transfer contact points of support programmes at higher education institutions was started in 2005. These contact points have been established in order to promote co-operation of scientists and entrepreneurs and ensure efficient introduction of research results of state research institutions into production.

In comparison to 2004 and 2005 a higher number of reforms have been collected for **2006**. Regarding the transposition of internal market legislation and in order to ensure Latvia’s ability to implement EU legislation in due time and with good quality, the development of a new database that controls the transposing of EU legal acts was started. In the area of public procurement a new law was adopted by the Saeima on 6 April 2006 which implemented Directives 2004/18/EC of the European Parliament and of the

Council of 31 March 2004. In order to promote the tourism sector the Tourism Development Programme of Latvia for 2006-2008 and the Action Plan for Tourism Development of Latvia for 2006 had been approved. In the electricity sector on 30 August 2006 the Board of SJSC “Latvenergo” took the decision to establish a separate/independent distribution system’s operator JSC “Sadales tikis”. In the policy field “business environment and entrepreneurship” the following reform measures have been adopted. The settlement of tax liabilities has been facilitated by an agreement with the State Revenue Service (SRS) concerning use of electronic signature. Taxpayers do not have to submit hard copies of tax declarations if this has been done electronically by using electronic signature allocated by SRS. With a view on access to finance the Latvian Guarantee Agency (LGA) established 3 Venture Capital funds in April 2006 co-financed from the state budget and European structural funds. These funds invest in small and medium-sized commercial companies with high growth potential and value added, making investment in own capital of companies or granting it in form of financial instruments related to own capital. Moreover, the Crediting Programme for Beginners was started at Mortgage and Land Bank (MLBL) in March 2006. Also this programme is co-financed from the state and EU Structural Funds resources. Regulatory changes took place regarding rules for a second start of business activities. The new Insolvency Law, in force from 1 January 2008, promoted development of the business environment and limited submission of groundless insolvency applications, prescribing new signs of insolvency process, and provided for submission of insolvency process application only after ascertaining these signs. In terms of measures designed to improve the quality of regulations the “Action Plan for Improvement of Business Environment for 2006” of 29 March 2006 has been approved. The Action Plan of 2006 solved problems in construction, employment, tax administration, introduction of e-government, among others. In the area of e-government the concept “On Management of Maintenance of Centralised Information Systems” has been approved, which determines how centralised information systems will be maintained. In this reform area also fell the development and the launch of the portal www.latvija.lv with links to Latvian state institutions on 3 August 2006. Other reform measures concerned the policy domain “knowledge-based economy”. The way how public funds are allocated for public R&D has been modified by Cabinet of Ministers Regulation 581 of 11 July 2006, which prescribed how the Ministry of Education and Science distributes financing for market-oriented research projects on the basis of scientific and economic expertise. The Cabinet of Ministers Instruction 412 “On Prioritary Scientific Disciplines for Financing Fundamental and Applied Research in 2006–2009” of 6 June 2006 added new priorities to previous ones: agrobiotechnology, energy and environment, as well as medical science. Moreover, the Cabinet of Ministers Regulation 345 “Procedure of Assessment and Financing of fundamental and Applied Research Projects” of 25 April 2006 has been approved. In order to encourage private investment in applied research, to promote technology transfer and to ensure introduction of research results into production, the functions of the Latvian Investment and Development Agency (LIDA) have been expanded. As from 1 June 2006 the Technology Agency was established, which was integrated in LIDA as a separate structural unit. LIDA administers the corresponding state support programmes, conducts analysis of the innovation system and instrument efficiency on a regular basis, promotes application of knowledge (especially outside Riga Planning Region), prepares proposals for new

innovation policy support instruments and co-ordinate their development, prepares, co-ordinates and leads innovation international co-operation projects. On 7 June 2006 the Ministry of Education and Science, Riga City Council and University of Latvia signed the Protocol of creation of a Science and Technology Centre in Riga. In the reform area “intellectual property rights” a council was created with the task to promote development of intellectual property (including industrial property) in order to increase the protection level of innovative solutions and to promote their use in production. The Cabinet of Ministers Regulation 479 “Regulations for Provision of Business Support to Projects in the Framework of EUREKA Programme” of 13 June 2006 defined conditions for the amount of state support and procedure of its granting, by which co-operation between scientific institutes and SMEs in research on development of new competitive products, technologies and services is supported. Further reform measures have been carried out in the educational sector. The amount of student loans was increased to LVL 120 per months (Cabinet of Ministers Regulation 78 of 24 January 2006). The Cabinet of Ministers Regulation 9 “Procedure for Licensing of General and Professional Education Programmes” of 3 January 2006 has been approved and amendments have been made to Cabinet of Ministers Regulation “Procedure for Licensing Higher Education Programmes”. Finally, amendments to the regulations on scholarships were approved on 4 April 2006, which determine the amount of scholarship for students in professional education institutions (LVL 20 per month).

4.19 MT - Malta (2003-2006)

Table 20 Reforms in Malta

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
MT	2003	1	0	0	0	0	0	0	1
	2004	0	2	5	0	1	1	0	9
	2005	0	0	0	2	3	3	2	10
	2006	0	0	1	0	1	2	3	7
	Total	1	2	6	2	5	6	5	27

For Malta MICREF contains 27 reform measures for the years 2003-2006.

Approved in March **2003**, on 1 May 2004 the VAT Act (Cap. 406) was amended to include the Intra-Community regime. The Act consists of a set of rules and administrative procedures that apply when traders buy or sell goods that need to be transported for delivery from one Member State to another.

In **2004** we saw the following measures undertaken in Malta. The Competition Act (Cap. 379) was amended to enable the application of Regulation 1/2003 which established a network of national competition authorities to implement Articles 81 and 82 of the EC Treaty. In the area of “state aid” the State Aid Monitoring Regulations 2004 (LN 210/2004) contained the principles enshrined in Article 87 of the EC Treaty. The Regulations outline the conditions under which State aid may be granted and lay down the procedure to be followed in line with the EC Council Regulation 659/1999. In the electronic communications market the Ministry for Competitiveness and Communication

published a White Paper proposing a new regulatory framework. The changes to the regulatory regime mainly involved the removal of barriers to entry in non-competitive markets, creating a level playing field in the sector and achieving greater legal clarity. Additionally, the new regime aimed to ensure that regulation is technology neutral, harmonising the local legislation with the EU framework for the sector as well as introducing new rules regarding the management of radio frequencies. Subsequently the Electronic Communications Networks and Services (General) Regulations (LN 413/2004) were published with the aim of detailing the principles underpinning the new regulatory framework as established by the White Paper. The new regulations came into force during the third quarter of 2004. In postal services the Postal Services Act (Cap. 254) was amended to the effect of limiting the reserved area that is the sorting, transportation and delivery of articles of correspondence to below 100 grams or three times the public tariff for an item of correspondence in the first weight step of the fastest category. Furthermore, under LN 296/2004 Maltapost p.l.c. which held an exclusive monopoly license since 1998, was designated as universal services provider. This entailed an obligation to provide the universal services required by the Postal Services Act. In terms regulations of transport services the Ministry of Investment, Industry and Information Technology announced a series of changes aimed at ensuring the regular, consistent, frequent and reliable provision of transport service between Malta and Gozo. Among these regulations was the liberalisation of one of the routes of transport operated by Gozo Channel Co. Ltd. Finally, in the policy domain open and competitive markets the privatisation of the National Lottery Licence was concluded in February 2004, when a seven year licence was granted to a consortium composed of an international operator and two Maltese companies. In the area of “business environment and entrepreneurship” with the purpose of reducing regulatory burdens on enterprises through the curtailment of bureaucracy, in September 2004, the Government introduced the facility whereby trade licence holders may pay their licence at the Maltapost offices in Malta and Gozo. The new payment facilities assist license holders in reducing time consumed in fulfilling administrative duties. With the aim of developing the information society the Government launched the National ICT Strategy in August 2004 with a number of strategic objectives and related measures that have been implemented over the period 2004-2006.

Reform measures adopted in **2005** focussed on the “business environment” and the “knowledge-based economy”. Regarding the provision of access to finance an agreement between the Maltese Government and the European Investment Fund was achieved whereby businesses in Malta may benefit from guarantees for medium and long-term investment loans. Furthermore, in 2005 the Government launched a loan guarantee scheme to support start-ups in particular innovative ones. A reform measure has also been taken to improve the quality of regulations. The Better Regulation Unit (BRU) has been set up within the Office of the Prime Minister in November 2005 dedicated to closely monitor all regulatory developments in order to ensure that no unnecessary added burden, financial or administrative, is imposed on business. The Government’s commitments to provide tax credits to promote certain areas of operations in enterprise are reflected in a number of initiatives that included back office services, re-investment of profits by SMEs, hosting services use of e-business solutions by SMEs, the development and use of

warehousing in free zones, and post graduate studies in specific subjects with the aim to match industrial demand. Moreover, a Forum for Entrepreneurship was established to act as a platform for the exchange of ideas and information with commercial enterprises, to promote business possibilities, to identify ways to increase entrepreneurial education and develop an entrepreneurial culture. In the policy domain “knowledge-based economy” a R&D Tax Credit was introduced (LN 330 of 2005). For the year 2006, the Government decided to allocate a) LTM 4 million in tax credits as incentives associated with research and development of new technology in Malta, b) LTM 500,000 in tax credits for companies that set up back office operations in Malta, c) LTM 500,000 in tax credits for companies that set up eBusinesses in Malta. During 2005, total Government expenditure on research and development in 2005 amounted to LTM 3.7 million. This figure represented an increase of 6.2 per cent over 2004. As a project to build a common vision of innovation the Government has embarked on the MARIS project. The project was aimed to build an Innovation Strategy for Malta and to develop an action plan. Furthermore, the Deductions and Tax Credits launched in 2005 offered 3 types of fiscal incentives from which companies and individuals may benefit, as a result of taking up general or specific ICT, Sciences or Engineering qualifications offered by recognised Universities or equivalent educational institutions. In the area of vocational education a legal notice entitled “Malta Qualifications Council Regulations, 2005” has been enacted to provide a framework that outlines the setting up of National Standards on vocational Education and Training (VET) provision. In this context, a Malta Qualification Council was set up in December 2005 with the aim of mapping informal and non-formal learning according to nationally agreed key competences and to design an accreditation/certification process accordingly.

In the year **2006** the following reform measures have been recorded in the database. In the area of air transportation the Government has issued calls for proposals for air carriers to develop air routes to and from Malta. In this respect the Government identified new and underserved routes which potentially were to be covered, but not exclusively, by low cost airlines. In order to enhance entrepreneurship in 2006 a “Foster Entrepreneurial Skills” scheme was launched to provide for a stimulus for those unemployed who wish to set up their own business. The persons attending to this training course have to prepare a business plan for the commercial activity that they intend to take. If the business plan is approved, a grant will be given to trainees to assist them in starting their own businesses. In the area of “R&D and innovation” the Government committed itself to increase its national research and development expenditure to around LTM 4.5 million in 2010. Moreover, the National Strategic Plan for Research and Innovation 2007-2010 has been launched with the aim of building and sustaining the research and innovation (R&I) framework. The strategy is based on the following strategic principles: a) addressing National Issues; b) focussing on selected areas of economic performance, c) enabling SME’s to innovate, d) exporting locally generated R&I, e) expanding Malta’s science, engineering and technology human capital base, f) establishing the nexus between knowledge institutions and business, g) developing a national pro-innovation culture supportive of invention, risk taking and entrepreneurship. In the educational sector a new Education Law was passed by the Parliament. The Law made a provision for setting up a Directorate for Quality and standards in education and a Directorate for Educational

Services. In the higher educational sector the Government set up a National Commission for Higher Education to guarantee the quality of provision and inclusive participation in further and higher education. The Government of Malta also launched a scholarship scheme with the aim of accelerating the process for more research and specialisation at the highest levels of education particularly at Masters and Doctoral level.

4.20 NL - Netherlands (2004-2006)

Table 21 Reforms in Netherlands

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
NL	2004	2		0	0	0	3	0	5
	2005	0		1	1	1	6	1	10
	2006	0		0	2	4	7	2	15
	Total	2		1	3	5	16	3	30

MICREF currently covers the period 2004-2006 for the Netherlands.

In **2004** the following microeconomic reforms have been recorded in the database. As regards the transposition deficit of internal market legislation the Netherlands decided on a number of measures to help resolve this problem in different ways and to quickly deal with implementation legislation in general. To this end action plans have been formulated. By means of accelerated proceedings in the Council of Ministers, implementation legislation has been given preferential treatment in Parliament compared to legislation of national origin. In order to encourage European tendering a new legal framework for public procurement in the Netherlands has been developed. The new legislation (in force since the end of 2006) is the legal base to implement the European legislation and jurisprudence on public procurement but also to implement national instruments to improve public procurement in the Netherlands. Part of this new legislation was a legal obligation for all contracting authorities to examine the integrity of suppliers, service providers or (building) enterprises according to the criteria for qualification as mentioned in the Directives. Another new development was the installation of a knowledge centre for purchasing and public procurement for all contracting authorities. In the area of the “knowledge-based economy”, the introduction of the Knowledge Migrant Regulation on 1 October 2004 was decided to make the Netherlands more attractive for knowledge migrants (a labour migrant that earns more than EUR 45,000 a year), including those from outside the EU. This group no longer requires a work permit. 2004 saw also the launch of the TechnoPartner Action programme which comprised a package of concrete actions such as: a) TechnoPartner Seed facility to stimulate and mobilise the bottom end of the Dutch Venture capital market, so that techno-starters can satisfy their capital requirements in the early phase; b) TechnoPartner Knowledge Exploitation Subsidy Arrangement (SKE) with the objective of quicker utilisation of scientific knowledge by techno starters inside and outside the knowledge institutes. The SKE contains a pre-seed facility that gives technostarters the option to put more time and energy into the phase prior to the actual start and a patent facility that enables the professionalisation of the patents policy within the knowledge

institutes; c) TechnoPartner-platform that offers information and expertise and will create an ongoing inventory and agenda of the obstacles faced by techno starters. Moreover, the “Small Business Innovation Research” programme (SBIR) was launched at the end of 2004. In this programme, by issuing R&D contracts directly to SMEs the Government encourages them to innovate and in turn secures solutions for social problems. In this framework two companies awarded contracts at the end of 2005 in the first pilot project.

2005 we observed the following reform activities in the Netherlands. As regards the telecommunications sector the Cabinet approved the “Radio Spectrum Policy Memorandum 2005”. The policy provided for further liberalisation of spectrum use and greater flexibility in order to be able to adapt more rapidly to changing market conditions and technological developments. As part of the TechnoPartner Action Programme the TechnoPartner Seed facility was launched in 2005. Under this scheme, venture-capital funds that invest in technological start-ups can receive 50 per cent co-financing from the Government. In June 2005 the New Entrepreneurship (“Nieuw Ondernemerschap”) action plan was adopted. It set out 11 specific measures designed to make it easier for “new entrepreneurs” to start a business. Under the policy domain “knowledge-based economy” the following measures have been taken. The Government established a Research Funding Committee (“Commissie Dynamisering”) with the assignment of producing cohesive, forward-looking proposals on methods of measuring the performance of universities and on the overall system of financing university research. In terms of promoting sectoral innovation a programme for the creative industry was adopted to strengthen the economic potential of culture and creativity by boosting the creative capacity of Dutch business. The programme had a budget of EUR 15 million. Furthermore, an experiment was conducted with area-oriented innovation policy in the regions South-East and East Netherlands and in the region of Randstad. With the objectives to improve the utilisation of ICT and strengthen the ICT base, the Government drew up the Social Sectors & ICT Action Programme (“Actieprogramma Maatschappelijke Sectoren & ICT”) for the period 2005-2009. The programme is to exploit the possibilities of ICT to improve mobility in urban areas, to increase the attractiveness and quality of education, to further improve public safety and to provide accessible and high-quality care. Two other projects in this field, “Connecting the Dots” (closer integration of local initiatives) and “ICTRegie” (strengthening and bringing focus to ICT research), also started in 2005. In the field of public private partnerships new provisions (applied from 2005) provided for an assessment of the added value of PPPs for all investments by the national Government in infrastructure (over EUR 112.5 million) and buildings. Moreover, the Ministry of Transport, Public Works and Water Management and the Ministry of Housing, Spatial Planning and the Environment’s State Buildings Department have been obliged to carry out a Public Private Comparator (PPC) to investigate the possibilities of a PPP for every project costing in excess of EUR 112.5 million and EUR 25 million respectively. In order to facilitate the cooperation between universities and private companies “zones of opportunity” have been established around the universities of technology in Delft, Twente and Eindhoven. “Zones of opportunities” have the aim of helping business start-ups and rapidly growing companies. Each zone has a Formula Manager to coach entrepreneurs in applying for subsidies and permits. The first zone started in April 2005 in Delft. In the field of education the Government took

measures to address early school leaving and to encourage young people to secure a higher level of education (e.g. Assault on school drop-outs (“Aanval op de uitval”). Some of the measures follow from the agreements reached during the Work summit in December 2005 between the Government and the social partners. These measures included: a) the Government’s decision to introduce an obligation on young people up to the age of 18 to secure a qualification; b) employers that offer work experience places for students in full-time secondary vocational education (MBO) were given a reduction in their social security contributions; c) an investment of EUR 35 million was made to create extra work experience places and simulation places for students that are difficult to place and to provide suitable practical coaching by both the school and the company offering the placement; d) the regional system of reporting and registration of early school leaving was improved to facilitate more rapid intervention.

Reform activities in **2006** concentrated on the policy domains “business environment and entrepreneurship” and “knowledge-based economy”. In the domain “business environment and entrepreneurship”, the Government introduced the Growth Facility which provides a guarantee (50 per cent) on capital provided to SMEs in the form of shares and subordinated loans. The amount available for guarantees was EUR 85 million in 2006 and will rise gradually to EUR 170 million in 2010. A further Guarantee Scheme for SMEs (“Borgstellingsregeling MKB”) (BBMKB) made it easier for SMEs, and particular start-up companies, to secure bank credit to acquire a company and, increasingly, for innovative companies. The guarantee percentage was increased from 66.67 per cent to 80 per cent. Two measures aimed at improvements of the quality of regulations. Taking effect from 1 June 2006, the business effects test (BET) has been improved with respect to the assessment of the costs of compliance with the terms of the regulation by introducing a new methodology which produces more quantitative data than before. The Netherlands set a target for the reduction of the administrative burden by 25 per cent in 2007. In this context around 100 measures were implemented (the administrative burden had been reduced by 12 per cent in March 2006). In the area of “e-government” the digital business counter www.bedrijvenloket.nl was launched at the end of January. The website is a comprehensive source of information for businesses about central government, provinces, municipalities, chambers of commerce and other relevant parties. In the field of taxes as part of a EUR 500 million package of tax cuts, it was decided to reduce the general rate of corporation tax (as from 2007) to 25.5 per cent and the lowest rate (on profits up to EUR 25,000) to 20 per cent. Businesses that are liable for income tax on their profits will receive an SME exemption. Further decisions concerned the introduction of new tax breaks in the corporation tax regime for group financing activities and for the development and use of patents. In the area of “R&D and innovation” the Government has tied part of the financing for universities from the direct funding mechanism to their success in securing income from the indirect funding mechanism and from research financed by contract. In 2006, EUR 50 million from the direct funding mechanism were reallocated among the universities on the basis of the level of funding they have secured from the second and third flow of funds. The measure was to encourage competition in raising money for research. Moreover, it was decided to start the Smart Mix scheme with an annual budget of EUR 100 million in 2007. This scheme has the objectives a) to create and mass in excellent scientific research, and b) to

create economic, social and cultural value through collaboration between knowledge institutes and the business sector or non-governmental organisations (NGOs). Fiscal incentives for “private R&D” were fostered via the Research and Development (Promotion) Act (WBSO). The Act provided for an intensification of the tax incentives. Moreover, the Government formulated an action plan setting out how it would foster innovation in the private sector by strengthen its role as ‘launching customer’. The action plan was designed to raise awareness of how the Government can support innovation in the private sector through its procurement and tendering policy, increase knowledge among Government authorities and companies about the possibilities and improve the organisation and coordination within the Government through specific actions and by collecting best practices. Following the pilot projects in 2004 and 2005, the Government again earmarked money for innovation vouchers in 2006. Innovation vouchers are intended to make it easier for companies to purchase know-how. SMEs can use the vouchers to buy expertise from public knowledge institutions, as well as some private institutions. In June 2006, a pilot programme package called Point One (nano electronics and embedded systems) was launched with a EUR 50 million subsidy out of total project costs of EUR 137 million. The Point-One programme consists of two strategic R&D collaboration platforms, also open for SMEs. In the policy field “use of ICT”, a large-scale learning environment for broadband services project (“Grootschalige leeromgeving breedbanddiensten”) started in September 2006. Its aim is to link the existing digital marketplaces with each other and to ponder the development of broadband services. In the educational sector we saw amendments to the “Secondary Education Act” and the “Education and Vocational Education Act” to create more scope for cooperation between the educational institutions regulated by the two acts and so facilitate a more tailored approach for students for whom the regular route is inadequate. In the tertiary educational sector the first eleven pilot projects with the HBO Associate degree programme designed to increase participation in higher education was started in September 2006. The Associate degree programmes are short two-year programmes that are part of HBO Bachelor courses and lead to a new statutory degree, the Associate degree (Ad), which falls between the level of MBO-4 and an HBO Bachelor’s.

4.21 PL - Poland (2004-2006)

Table 22 Reforms in Poland

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
PL	2004	4	2	3	1	0	2	1	13
	2005	0	0	4	0	2	3	0	9
	2006	1	1	3	1	4	3	0	13
	Total	5	3	10	2	6	8	1	35

Reform measures for Poland are recorded for the period 2004-2006 in the database.

In **2004** Polish authorities adopted the measures described in what follows. On 23 January 2004 the new Law on Excise Tax was passed, which became fully binding on 1 May 2004. The law aligned the Polish provisions on excise tax to the tax system binding

in the European Union which required introducing new institutions to the Polish regulations, the most important of which was the institution of tax warehouse. Moreover, on 1 May 2004 the new Law of 11 March 2004 on the Goods and Services Tax (VAT) entered into force. The law introduced new regulations that i.a. abolished customs borders in trade in goods between Poland and other EU states. The Law on Public Procurement of 29 January 2004 implemented the provisions of the binding Directives and part of the provisions of new Directives adopted on 30 April 2004, first of all with respect to issues of procedures electronisation. The main changes of Polish public procurement system concern the elimination of domestic preference, the enforcement of obligatory public procurement notices for Polish orderers' publication, the facilitation of orders' identification, the implementation of conciliation and testation as well as the possibility of using electronic tools. The Law on Freedom of Economic Activity guaranteed also the freedom to undertake activity in Poland for foreign entrepreneurs from the Member States of the European Union and the European Free Trade Agreement (EFTA) - parties to the EEA agreement on the same conditions as Polish entrepreneurs. The legal basis for activities regarding monitoring state aid constituted the Law of 30 April 2004 on proceeding in cases of state aid. The adoption of this new law was necessary due to Poland's accession to the European Union and the resulting change in the principles of proceeding in cases relating to state aid. Sector-specific state aid for hard coal mining was affected by an update in the way of implementation of the hard coal mining restructuring programme by correction of the basic task and restructuring intentions. This was included in the document adopted on 27 April 2004 by the Council of Ministers under the title: Restructuring of hard coal mining in the years 2004-2006 and strategy for the years 2007-2010. The process of increasing competition on the telecommunications market was continued through the amendment of the Telecommunications Law, which aimed at further liberalisation of the market, increasing demand for telecommunications and IT services as well as strengthening the competition on the market and its further development. The amendment gave rise to the compliance with the EU regulations, especially in terms of the universal service definition, conditions for providing universal services, number portability and subscribers' loop accessibility. The amendment contributed also to imposing duties on subscribers adequate for their market power. Moreover, the law implemented the so-called second package of Directives for electronic communication from the year 2002. It contained also regulations supporting telecommunications development and increasing accessibility of basic telecommunications services, especially for the poorest people and those living in the poor-urbanized areas. In postal services the provisions of the Directive 2002/39/EC were implemented by the Law of 18 March 2004 on amending the Postal Law. The law entered into force on 1 May 2004 with exception of articles pertaining to the weight and price limits. The Law on Freedom of Economic Activity (as referred to earlier) was adopted on 2 July 2004 and entered into force on the 21 August 2004. It provided also for provisions favourable for entrepreneurs such as a) simplification of registration – registration of companies will be possible also by the electronic way without the need to visit many different offices; b) decreasing the number of concessions and licenses; c) introducing the provision on binding interpretation; d) decreasing the number of controls in companies and shortening their duration. Other reform measures fell under the domain "knowledge-based economy". The adoption of the Act on the principles of financing science meant

strengthening the position of the Minister responsible for science and higher education. This was achieved through transformation of the State Committee on Scientific Research (KBN) into the Science Council, which acts as an advisory body to the Minister. Furthermore, on 13 January 2004 the Council of Ministers adopted the document “Strategy on the Development of Information Society in Poland” - ePoland for the years 2004-2006. The aim of the strategy was to create a competitive economy based on knowledge and to improve the quality of life of citizens by effective informatisation in the scope of a) universality of access to content and services rendered available by electronic means; b) creating a valuable offer of content and services available on the Internet; and c) ability to use them. In the field of “education” on 1 September 2004 the obligation of one year kindergarten preparation for children at the age of 6 was introduced.

In the year **2005** the following reform efforts were undertaken by the Polish Government. Regarding telecommunications in May 2005, the Council of Ministers adopted the Strategy for the transition from analogue to digital broadcasting in ground-based television. In the gas sector in 2005, the provisions of Directive 2003/55/EC concerning common rules for the internal market in natural gas were merged into the Energy Law. In line with the provision adopted therein, the criteria to assess independence of operators were introduced, and in July 2005, the Transmission System Operator was appointed. The Energy Law also introduced the Third Party Access (TPA) principle, i.e. providing all customers with a free choice of supplier, thus giving them the status of customer eligible to use TPA. This principle has been introduced for business entities since July 2004 while it was introduced for household customers from 1 July 2007 onwards. In the area of professional services the Act amending the Act on the bar profession and amending certain other acts was passed on 30 June 2005. This legislation altered profoundly the principles regulating entry into the professions of barrister, legal adviser and notary public. The changes focused primarily on broadening the group of persons with degrees in law which may take exams to become barristers, legal advisers or notaries without the obligation to pass the mandatory period as trainee in the professions. In order to improve the efficiency of the legal system the Government undertook actions aimed at reducing the costs of court proceedings. In March 2006, the Act of 28 July 2005 on court fees in civil cases went into effect, which reduced court fees on actions from 8 per cent to 5 per cent of the value of the subject matter of litigation. In the area of e-government the Act on the computerisation of entities implementing public activities was passed on 17 February 2005. The Act aimed at creating a conducive legal environment for Information Society development, particularly via creating a framework of standards for operation of electronic administration. Two actions provided fiscal incentives to undertake private R&D activities. In October 2005, pursuant to the “Act on certain forms to support for innovation activities”, technology credits for entrepreneurs were made available, towards purchasing and commissioning new production technologies. Another instrument in the “Act on certain forms of support for innovation activities” was to grant an R&D unit status to an entrepreneur whose sales of his own R&D results amount to at least 50 per cent of total sales. This status gives the entrepreneur the right to reduce the income before tax by the amount allocated to the Innovation Fund (20 per cent of the entrepreneur’s revenues) as well as giving him a tax relief on land property, forestry or

agricultural land used tax used to run R&D activities. The “Act of 28 July 2005 on public-private partnerships” went into effect on 7 October 2005. This Act aimed to remove barriers regarding the role and functions of administration in implementing public tasks with the participation of a private partner.

The year **2006** was characterised by the following reform measures. The amendment of the “Public Procurement Act” included the simplification of public procurement procedures of the value below EUR 60,000. This act restricted the number of entities covered by the obligation to apply the above legislation, introduced more orderly arrangement of appeal procedures, introduced new public procurement procedure. Furthermore, it introduced one central purchasing body, and increased thresholds for applying some of the provisions of the Act. As regards state aid, the Sejm passed the “Act amending the act on State aid and the restructuring of public health care establishments”, enabling the increase in financial aid to the indebted healthcare units covered by the restructuring programme. In the energy sector the Government adopted in May 2006 an amendment to the “Energy Law” adjusting its provisions to the guidelines contained in Directive 2004/67/EC of the Council concerning measures to safeguard security of natural gas supply. In the railway sector the process of implementing the Second Railway Package in the national legal order was completed with the adoption of the “Act of 22 July 2006 amending the Act on rail transport”. State-owned enterprises were affected by “the Act of 12 May 2006 amending the Act on commercialisation and privatisation and other acts”. The Act (in force since 28 July 2006) envisaged that the legal existence of state-owned enterprises subordinated to the Minister of the Treasury should cease by 30 June 2007, and that the process of commercialisation of state-owned enterprises subordinated to other founding authorities should cease by 30 June 2007. Moreover, the process of commercialisation of state-owned enterprises subordinated to other founding authorities should start by the same date. Other reform measures focussed on the policy domains “business environment and entrepreneurship” and “knowledge-based economy”. In the third quarter of 2006, a support scheme for seed capital funds was launched to invest in newly established enterprises in their initial stages of development. With the purpose of improving the efficiency of the legal system in 2006 a significant number of posts was added in commercial divisions and land and mortgage register divisions of courts. Two reform measures aimed at improving the quality of regulations. The “Regulatory Reform Programme” contained references to the most important issues identified in the national regulatory system. The document addressed both postulates presented by Polish enterprises and the own analyses of the regulatory system, as well as recommendations by international organisations. In terms of measuring and reducing administrative burden, the programme envisaged the implementation of the Dutch Standard Cost Model. On 10 October 2006 the Council of Ministers adopted the “Guidelines to Regulatory Impact Assessment (RIA)”, which constitute a set of principles for preparing and verifying RIA. In the field of business taxation on 6 June 2006, the Government adopted a draft amendment of the Act on personal income tax and some related acts, which aimed at improving efficiency and simplifying the tax system as well as providing incentives to taxpayers to undertake economic activities, and to entrepreneurs to make investments. Among the proposed measures were: significant reduction in reporting obligations of individual and corporate taxpayers; lifting the

obligation to submit tax declarations during the year; more beneficial principles of depreciation for small business-taxpayers and those starting their business for the first time. Another change involved the change of the competent authority which can provide interpretation of tax provisions - the sole authority designated for that purpose became the Minister in charge of public finances instead of heads of relevant tax or customs offices. The amendments came into effect on 1 July 2007. In the policy field “R&D and innovation” the implementation of the National Foresight Programme (NFP) Poland 2020 was started within the following research areas: sustainable development, ICT technologies, and security. The goal of NFP is to orient the research and technologies into the areas which warrant dynamic economic growth in mid- and long-term perspective, and to rationalise public spending on R&D. As regards increasing the efficiency of the procedure for applying to the Polish Patent Office for the protection of inventions, industrial designs, trademarks and geographical indications, a draft of the “Act on amendment to the Act on industrial property” was sent to the Sejm in July 2006 and entered into force on 1 November 2007. This amended law liberalised requirements concerning the format of application documentation and attributed more precise meanings to the provisions which had given rise to interpretation doubts and caused problems in applying the law. Furthermore, “Amendments to the Act on certain forms of support for innovation activities, and to certain other acts” entered into force, which simplified the application of tax relief for purchase of a new technology.

4.22 PT - Portugal (2000-2007)

Table 23 Reforms in Portugal

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	0	0	2	0	1	1	0	4
2001	0	0	5	0	3	4	0	12
2002	1	0	5	2	0	1	2	11
2003	2	2	2	1	5	4	3	19
2004	0	0	7	1	1	5	2	16
2005	0	0	2	2	0	7	4	15
2006	1	0	4	1	2	3	2	13
2007	0	0	0	0	0	0	1	1
Total	4	2	27	7	12	25	14	91

Portugal is one of the few countries for which MICREF covers the period 2000-2007.

For the year **2000** the following reform measures can be found in the database. In the area of telecommunications the liberalisation of the fixed line telephone service took place. Moreover, from 1 January 2001, it became possible to route local and regional calls via indirect access. In this way, a range of options is at the disposal of end users, who are able to select or pre-select the service provider for local, regional, inter-city, fixed line / mobile and international calls. In the railways sector legislation has been published in connection with the liberalisation of certain segments of the market - particularly Decree-Law 60/2000 of 19 April, concerning international rail transport - and concessions have been granted for urban transport. The tax reform undertaken in 2000 sought to reduce the tax burden for individuals and companies. It also sought to facilitate compliance with the

law, through the establishment of simplified tax-payment systems. In particular for Corporate Taxation (IRC), the adjustments attempted to achieve greater tax equity and neutrality between different economic entities, safeguarding the external competitiveness of Portuguese companies, the regulation of full-competition practices by multinational companies and those with special relations among themselves, allowing the tax administration to carry out the necessary tax adjustments, thus eliminating distortions in terms of competition. The corporate tax rate was reduced from 32 per cent to 30 per cent. Furthermore, there was an increase in tax relief for R&D projects. In view of the use of ICT, a new legal regime for electronic commerce transposed into national law Directive 2000/31/CE. This regime ensured freedom of establishment and of provision of information society services as well as the liability regime of intermediary service providers. Provisions relating to the conclusion of contracts by electronic means and network advertising were also included.

The reform efforts in the microeconomic area in the year **2001** can be described by the following reform measures. In the telecommunications sector number portability was made available as of 30 June 2001 for fixed lines while number portability in mobile services was made available from January 2002. In postal services in August 2001, the access regime for mail operations, regulating the access of operators to free postal service within a competitive background, came into effect. In the gas sector the Directive setting out common rules to the liberalisation of the natural gas market were implemented (Decree-Law 14/2001). In other sectors privatisations were undertaken. One was the public sale offer of BRISA (Auto-Estradas de Portugal, S.A.). Another measure in this regard was the direct sale of the State's golden-share in CIMPOR (Cimentos de Portugal, SGPS, S.A.). Two reform measures addressed the business environment. Decree-Law 143/2001, of 26 April regulated special means of sale, namely sales through distance contracts, contracts signed at home and similar and automatic sales. Moreover, in March 2001, the "Commission for the Simplification of Legislation" was set up. Its main tasks include: to carry out studies aimed at the simplification and improvement of the current system; to propose measures to improve for access to legislation; to identify cases where deregulation is appropriate; and to study and adopt new rules for the simplification of legislation. Also simplifications were made on the taxation system in 2001. The adjustments addressed underpinning taxpayer guarantees, simplifying procedures and speeding up tax procedures under litigation. Additionally, the coercive tax-collection system granted more efficient means of operation, namely through the establishment of transparency measures in the area of executive sale. Public support for business R&D granted through tax benefits was substantially increased. The base deduction rate was increased from 8 per cent to 20 per cent, while the marginal deduction rate (based on the average of the two last years) increased to 30 per cent for expenses up to EUR 249,000 and to 50 per cent for expenses up to EUR 499,000. The period of distribution of tax credits was increased from 3 to 6 years. Regarding sectoral measures to promote innovation Council of Ministers Resolution 75/2001 identified the pharmaceutical industry as a privileged partner and specified the conditions to support development and modernisation projects. This was made with a view on enabling development and innovation, R&D projects and the training and retention of highly qualified human resources, to establish a long-lasting partnership between the industry and institutions

from the national scientific and technological sector. The Government has, moreover, approved the Integrated Innovation Support Programme (PROINOV). The programme aims to coordinate the public policy to be implemented by Ministries, with a view to improving the communication interfaces between the participants in the system (public bodies, universities, schools, R&D institutions, companies) in order to bolster the innovation system and ensure the subsequent productive application of scientific and technological know-how. In terms of use of ICT in the context of the national Information Society initiative, a number of actions were developed such as: a) introduction of a Basic IT skills Diploma; b) publication of Ministerial Order 1013/2001 which established the criteria for the accreditation of organisations that provide Basic IT skills Diploma; c) in respect of ongoing training, the goal of including Information and Communications Technology components in 50 per cent of some ongoing training workshops.

2002 Portuguese reforms concentrated on the following policy fields. In the areas of public procurement the Decree-Law 104/2002 established a simplified regulatory framework for public procurement and its adaption to the information society through the use of electronic instruments for public procurement. In the telecommunications sector the access to the fixed net of the incumbent telecom operator was improved through the reduction of financial and physical barriers and by preventing anti-competition practices. The following set of instruments was used: a) decrease on the tariffs of interconnection and the rental of circuits; b) the review of the reference proposal for local loop unbundling; and c) the establishment of competition conditions for ADSL services (Asymmetric Digital Subscriber Line). In June, the Reference Interconnection Offer 2002 was published and all prices regarding the call origination, call termination and transit came into effect retroactively on 1 May 2002. On 6 January 2002, the “Communications Institute of Portugal” (ICP) was renamed “ICP - National Authority for Communications” (ICP-ANACOM). With new statutes, ICP-ANACOM acts as an independent regulatory authority, aiming at the regulation, supervision and representation of the telecommunications sector and the postal services. In May 2002, the “Regulation for the Operation of the Fixed Telephone Service” was modified in order to include instruments that ensure a permanent and continuous service supply to final consumers and simplify procedures when changing the service supplier, thus promoting the development of competition within the market. In the electricity sector the regulator for the energy market (ERSE) extended the eligibility criteria to all medium, high or very high voltage consumers, allowing them the right to freely choose their electricity supplier through the acquisition of the statute of non-binding customer.¹⁴ In the area “business environment and entrepreneurship” the NEST programme was adopted (Ministerial Order 1518/2002, of 19 December). The programme aims at stimulating the creation, start-up, development and run-up of enterprises of technological basis under the form of anonymous society. Furthermore, the “Framework for Financial Incentives” addressed start-up conditions. It contained two new instruments under the scope of the Operational Programme for the Economy (POE) - convertible financing and capital risk syndication fund. These instruments give priority to financial support based on capital risk schemes, seed capital, through partnerships between financial institutions and venture capital. In

¹⁴ ERSE: Entidade reguladora dos servicios energeticos.

order to improve the innovation capacity of SMEs the “Quadros Programme” was launched. This programme co-finances the hiring of staff with a university degree in technological areas in small and micro enterprises. In the MICREF database two measures were collected for the policy field “education”. One measure was the regulation on “Education and Training Courses” in 2002. These courses are oriented to 15-18 years old students with insufficient schooling or without any form of professional qualification; they have a vocational curriculum, with a scientific and technological component (information technologies, specific technologies). In addition, the Technological Specialisation Courses - post-secondary, non-higher education courses - are aimed at integrating the objectives of professional qualification and integration into work, while also allowing for the continuation of studies. The second measure in this policy field was the programme “Ciencia Viva” aimed at primary and secondary schools. It consisted of curricula restructuring of primary schools including the reinforcement of technological and experimental teaching in order to promote the learning in scientific and technological areas and promotion of the acquisition of basic competencies for low-educated adults.

In **2003** the following reform measures have been recorded in MICREF for Portugal. In the field of “public procurement” a project was launched in the first semester of 2003 with the strategic definition of the model of electronic public purchases. Regarding external openness and in order to attract investors from outside Portugal an Investor’s Guide was published containing a list of the most “frequently asked questions” and respective answers, as well as a summary of all Portuguese legislation concerning entrepreneurial investment (available since May 2003 on API internet address www.investinportugal.pt). In the area of “competition policy” in June 2003, a new Competition Law was approved. Main changes this Law brought were: the enlargement of the scope of the law to all economic sectors; the clarification of the conditions under which this new law applies to public enterprises and to enterprises that benefit from special or exclusive rights granted by the Government; a new set of procedures to take control in advance of mergers; the introduction of clear and adequate rules of relationship between the Competition Authority and sectoral regulators; and the restructuring of penalties. Another development in this area was the set up of a new Competition Authority in January 2003. Its activities focus on: market structural changes/ mergers, concentrations and joint-ventures; regulation of markets and state aid control; restrictive practices and infraction processes. The liberalisation of the market for electronic communications proceeded further in the course of 2003/2004. Barriers to market entry were reduced and competition was enhanced by a) facilitating number portability; b) establishing an adequate time limit for the restraint on win-back action; c) launching public consultations on the type of calls eligible for pre-selection of the provider and on subscriber line resale; and d) by redrafting the rules applicable to Fixed Wireless Access (FWA). In the railway sector the “First Railway Package” was translated into national legislation. This new legal regime entered into force fully in 2004. Among the most relevant provisions, is the regulation of the system of charges for using railway infrastructure and the regime for improving infrastructure management. In terms of reforms addressing the business environment the following measures have been recorded. A new “Industrial Licensing Code” came into force in 2003. The Code adopted the principle of one-to-one service and afforded a reduction in the average time required for

licensing from several months to 35 days in May 2004 and to 19 days for less complex processes. This new Industrial Licensing Code classified industrial firms into 4 types, ranked by degree of potential hazards to humans and to the environment, corresponding to decreasing complexity in licensing rules and procedures. As regards the legal system a new execution system entered into force in September 2003 which speeded up the processing of the execution through the attribution of a significant part of the processing of the execution to an execution agent. A number of measures aimed at business taxation. In 2003, tax control and audit were improved, mainly through: the simplification of tax forms for the most relevant taxes; the establishment of a taxpayers' register according to economic activity; the organisation of a tax debtors' register; and the exclusion of taxpayers with tax debts from the access to fiscal benefits. Actions aiming at the modernisation of tax collection procedures were carried on by using electronic means such as: a) submission via Internet of tax income and corporate income tax declarations was made compulsory for taxpayers with turnover, entrepreneurial or professional revenues above EUR 1.25 million; b) dematerialisation of VAT declarations: submission via Internet has been made compulsory for taxpayers encompassed by the normal regime, thereby reducing management costs and providing more reliable and faster tax information. Changes were also decided as regards tax rates. The basic rate of the corporate income tax was reduced from 30 per cent to 25 per cent and the tax reserve for investment (a maximum reduction of 20 per cent in net corporate tax payments) came into force as from January 2004. Further reform measures were adopted in the policy domain "product markets: business environment and entrepreneurship". The Incentives Programme for the Modernisation of the Economy (PRIME) reformulating the Operational Programme for the Economy (POE) was launched in July 2003. Its objective was to improve the coherence, efficiency and effectiveness of support granted to investment and to the modernisation of firms by streamlining decision processes for granting incentives, improving selectivity criteria and investment assessment, and introducing rewards for the most successful firms. Moreover, in January 2003 an information system for firms was launched through a protocol signed between public entities and associations, to promote the access of firms to information on markets, business opportunities, support measures and incentives, technologies and development, as well as sectoral prospects. Under the policy domain "knowledge-based economy" the following reform measures have been taken. A new "Industrial Property and Patents Code" (CPI) was published in March 2003. It governed issues related to inventions, set out and regulated the rights and duties concerned. With the purpose of enhancing the use of ICT in August 2003 two action plans - the "Information Society Action Plan" and the "e-government Action Plan" - and three thematic initiatives - the "National Broadband Initiative", the "National Programme for the Participation of Citizens with Special Needs in the Information Society" and the "National e-Procurement Programme" - were approved. The plans aimed at generating a new momentum in the development and Knowledge Society in Portugal. The first initiative of the new Information Society Strategy launched by the Innovation and Knowledge Society Unit was the "e-U Programme". The e-U Programme aimed at promoting quick and easy access to knowledge within academic communities, through the set up of wireless broadband access networks, stimulating thereby the use of laptops, as well as the cooperation among universities and between these and the market. In order to develop partnerships between

public research institutes and private enterprises the IDEIA programme was set up. The programme promotes co-operation among enterprises and entities belonging to the National Scientific and Technological System with a view to developing new processes, products or services. In the educational sector the “Programme for the Qualification of the 1st Cycle” (first four years of basic education) was launched in the academic year 2003/2004. Its strategic goals were to a) structure a new basic education of 6 years in order to eliminate existing bottlenecks between the 1st and 2nd cycles; b) prepare pupils, early on, to master information and communication technologies; and c) to fight against school failure and drop-out. Moreover, changes were introduced to the “Framework Law on the Evaluation of Higher Education Institutions” which included the introduction of a classification based on merit, and the mandatory accreditation of institutions and courses in case of a negative performance evaluation. Finally, the “Law on the Financing of Higher Education” set out the general framework for the financing of higher education based on a formula and on contract programmes associated to budget programmes, with a view to enhancing quality in higher education and the social relevance of the courses. The law established the maximum number of applications a student is allowed to make in the attended course, which, if reached, entails the loss of the entitlement to a new application. Moreover, tuition fees were set by the ruling bodies of higher education institutions and vary between an upper and a lower threshold, according to the quality and the nature of the courses.

In **2004** we saw the following reform measures in Portugal. The “Law on Electronic Communications” translated into national law the Directives known as the 99 Revision. It established the legal regime applicable to the electronic communications networks and services and associated services and defined the assignments of the national regulatory authority. Provisions included rules and mechanisms to promote competition, development of the market and the protection of the interests of users. In the electricity sector, a further phase of market opening involved the opening of the market to clients of normal low tension, which includes domestic consumers, eligible after the publication of the Decree-Law 192/2004. Normal low tension consumers in Continental Portugal effectively became able to choose supplier as of 4 September 2006. In the water sector, the Government issued a Resolution stating general guidelines, which foresee the partial withdrawal of the public sector through the opening to private investors of AdP (Águas de Portugal) capital and by concentrating its business portfolio in strategic areas. In the policy field “air transportation” under the restructuring of the national air carrier, and with the aim of opening up to private initiative, an international tender was launched to privatise 50.1 per cent of the capital of the handling business. Furthermore, a new Public Service Obligations (PSO) model has been defined for the Autonomous Region of the Azores based on a subsidised ticket system. Regarding the wholesale and retail trade sector a new Commercial Licensing Regime was adopted in March 2004 that abolished the quota system and raised the number of establishments and the scope of activities covered, while simplifying procedures and decentralizing decision-making. As a step forward in the liberalisation of the energy market prices of fuels were liberalised. Further reform measures focussed on the policy domain “business environment and entrepreneurship”. Within the NEOTEC initiative 12 VPE nuclei (Valorisation of Business Potential) were approved. They involve higher education institutions and other

entities linked to the promotion of entrepreneurship. A further 75 projects for the creation of companies with a technological base were also approved in the scope of this initiative, in connection with the scientific and university system. In the field of e-government the Citizen's Portal (www.portaldocidadão.pt) was launched in March 2004. In the area of "R&D and innovation" the operational programme "Cienca 2010" was launched which encompasses measures to stimulate innovation, funding of quick start projects, promotion of scientific dissemination and support to higher education. Another measure in this area was "www.b-on.pt" launched in April 2004. This web portal enables access to the major knowledge sources by the academic/scientific community. The "Law on the Scientific Patronage" (Law 26/2004) foresaw fiscal incentives to private entities that finance R&D activities. Also, the "Competence Networks - Initiative Centers of Excellence" was started in the year 2004. The competence networks consist of consortiums with companies, research centres and institutes, technological centres, universities, polytechnics and other higher education institutes, public authorities and business or sectoral associations. Their objective is to create collaboration networks aimed at excellence, whilst also allowing the development of innovation, knowledge intensive clusters and contributing to the development of the economic and social fabric of a region and/or sector. Moreover, in 2004 so-called Valorisation Centres (OTICs) have been set up. These centres are mediating entities which provide a university-company environment of cooperation with the aim of identifying and fostering the transfer of ideas and innovative concepts for the business fabric. 22 Valorisation Centres were approved and completed the existing valorisation structures. All public universities in Continental Portugal approved OTICs, in addition to those in private universities and a number of polytechnics. In the field of "education" the "National Plan for the Prevention of School Drop-out" (PNAPAE) was launched. The main objective of the plan was to ensure youngsters do not leave the educational system early on, and to reduce the rates of school dropout and early school leavers to at least half until 2010. The PNAPAE provided for the setting up of a national network of public reference schools (REDE EDUTEC) by 2006. Such schools are identified by innovating education-training projects, which allow greater diversification of their supply. This was to be complemented by the development of school social support centres (multidisciplinary teams to support the students and poverty stricken or ill-structured families). Finally, Decree-Law 74/2004 approved legislation addressing various aspects of the Curriculum Reform of Secondary Education.

Portuguese reform efforts in **2005** are characterised by the following measures. In the energy sector the "National Strategy for Energy" approved by Resolution of the Council of Ministers was based on three broad objectives: guaranteeing the safe supply of energy, stimulating competition and guaranteeing the environmental adequacy of the whole energy process. It foresaw the restructuring of the business fabric in the energy sector and elected five main action lines: a) pursuit of the liberalisation of the natural gas and electricity markets; b) creation of two large competing operators in the gas and electricity sector; c) development of an operator for the transport of gas and electricity-REN; d) promotion of the development of renewable energies; e) implementation of a plan to increase energy efficiency. In order to enhance investment the Dynamo Programme was adopted which is part of the PRIME Programme. The Dynamo Programme offers specific support for investment projects involving the creation of companies or their expansion in

transactional goods and services production activities of high added value, duly supported by clear market strategies with a view to their positioning in international markets. In order to support companies that are in the process of restructuring the “Integrated Intervention Bureau for Business Restructuring” (AGiIRE) was formed to identify and support the restructuring processes of businesses in crisis and no longer economically and financially viable, guaranteeing employment sustainability and coordinating actions of the State in the process of restructuring and making viable these companies. Other reform measures addressed the “knowledge-based economy”. The Technological Plan (November 2005) was an action agenda which aimed at mobilising enterprises, families and institutions for surpassing the modernisation challenges. As a strategy meant to promote the development and reinforcing of growth and competitiveness in Portugal, the Technological Plan was based on the three axes ‘Knowledge’, ‘Technology’ and ‘Innovation’. Moreover, the International Iberian Nanotechnology Laboratory was created. The decision to establish this institute was announced on 19 November 2005 by the heads of the Governments of Portugal and Spain. It is a pioneer initiative of a new kind of international institutional partnership in science and technology in Europe. In the reform area “fiscal incentives for private R&D”, 2005 saw the re-establishment of the “System of Fiscal Incentives for Business Research and Development” (SIFIDE). A number of actions were summarised under the heading “Promotion of ITC in all schools and the use of computers at home by students” such as equipment of all public schools with DSL internet connections or the reduction of costs of obtaining computers for families of students via specific fiscal deductions up to EUR 250 and half the cost of a computer purchased after 1 December 2005. The Portugal’s Portal (www.Portugal.org) launched in 2005 aimed at being the “official country’s access point to the digital world”, offering thematic contents, an enlarged picture of the Portuguese State and its multiple institutional presences. Furthermore, in July 2005, the Portuguese Government adopted the initiative “Connecting Portugal” (“Ligar Portugal”). In order to strengthen the competitiveness factors of SMEs, promote ICT and the logic of clusters the Business Partnerships Programme was launched. Actions within this programme were a) poles of competitiveness and b) expansion and creation of clustering capacity in sectors relevant to the economy. In the field of “education” we saw the launch of a training programme in mathematics for teachers of the first cycle of basic education in collaboration with the Ministry of Science, Technology and Higher Education (MCTES); and the launch of the Action Plan for mathematics. In terms of language skills the “Programme to generalise the teaching of English” from the first cycle of basic education was launched in the 2005/2006 school year with teaching of English in the 3rd and 4th years assured as an extracurricular activity in 96 per cent of basic schools (86 per cent of students). The aim of the “New Opportunities initiative”, presented in 2005 as a joint action of the Ministry of Labour and Social Solidarity and the Ministry of Education, was to reduce the distance separating Portugal from more developed countries with regard the base qualification of the Portuguese population by generalising secondary education to all and making it the minimum qualification level. Finally, amendments were made to the “Base Law of the Education System” with the following aims: a) guarantee the qualification of the Portuguese in Europe by implementing the Bologna Process; and b) to promote equal opportunities in the access to higher education. Following the alterations to the Base

Law, the full set of regulations aimed at adapting the Portuguese higher education system to the Bologna Process was established and presented in 2006.

Reforms in **2006** concentrated on the following areas. In the electricity sector we saw the approval and publication of the Santiago Agreement. With its ratification, conditions were created for the formal start of the Iberian Electricity Market (MIBEL). The Decree-Law 29/2006 set out the common rules for the electricity market and established the National Electricity System (SEN). The decree provided a coherent legislative framework for the sub-sector of electricity, articulating the principal strategic objectives for energy defined in Resolution of the Council of Ministers 169/2005 (the National Strategy for Energy). Furthermore, Decree-Law 172/2006 developed the general principles on the organisation and running of the SEN and completed the transposition of the Directive 2003/54/CE. In the gas sector Decree-Law 30/2006 translated the principles of Directive 2003/55/CE into a national law which set out the common rules for the internal natural gas market and established the National Natural Gas System (SNGN). Moreover, Decree-Law 140/2006 developed the general principles on the organisation and running of the SNGN and completed the transposition of the Directive 2003/55/CE. In the context of the business restructuring of the energy sector and specifically, the development of an integrated operator for the transport of gas and electricity (the National Energy Networks –REN), the Resolution of the Council of Ministers 85/2006 of 30 June, authorised REN to proceed in the setting up of new companies so as to assure public service concessions for the transport of natural gas under high pressure, for underground storage of natural gas and the receipt, storage and re-gasification of liquid natural gas. In addition, an agreement was achieved with the shareholders of Galp Energia that provided for the transfer of ownership of the regulated assets (for the receipt, storage and transport of natural gas) in favour of REN. In the oil sector, Decree-Law 31/2006 was approved with the obligations from the International Energy Agency and the principles and objectives set out in National Strategy for Energy; this established the general basis for the organisation and operation of the National Oil System (SPN). In the area of “business environment and entrepreneurship” the FINICIA programme aims at the provision of risk capital. The programme broadens the base of access to risk capital and to mutual guarantee and is focused on the start-up phases of the business, on investments with strong innovative components and on the development of regional initiatives. It includes the a) awarding of the so-called “innovation status” to projects with strong innovative content, b) setting up of the so-called FINICIA platforms, which mobilise proximity agents to support entrepreneurship and to finance emerging business, in particular university start-ups, and c) the creation of regional credits protocols. The administrative environment was addressed by the SIMPLEX programme presented in March 2006. This programme aimed at simplifying procedures and eliminating unnecessary formalities. This included the possibility of creating an “On the Spot Enterprise”; elimination of the need for businesses to publish ‘acto da vida’ documents in the *Diário da República*; the approval of a new law for the dissolving and liquidation of commercial entities (Decree-Law 76-A) that provided for a ample set of measures that simplify the area of registries and notaries; publication and implementation of a special regime allowing for online businesses called “Empresa On-line”; measures aimed at speeding up the processes of licensing. In the same area the programme “Legislar Melhor” was approved. The

programme contains a set of measures aimed at dematerialisation, in the context of simplification and transparency in procedures. Among the various measures called for, there are a) the end of the paper version of the *Diário da República* and the granting of full legal value to the electronic version, as well as its simplification and re-organisation; b) dematerialisation of the legislative procedure, in the context of the State Electronic Certification System; c) adoption of rules for evaluating the impact of normative acts of Government. One measure in the field “R&D and innovation” was the “Commitment to Science 2007-2009 Initiative” which aimed to improve scientific knowledge and technological competencies to the highest international level, the human resources and the scientific and technological culture, strengthen responsibility, the organisation of networks of public and private R&D institutions, internationalisation, the demands for good performance and evaluation, reaching the economic value of research. The initiative involved a vast range of concrete measures, starting from 2006, with ambitious targets for 2009. Furthermore, it was decided to increase the total public S&T budget for 2007 to EUR 250 millions (an annual increase of roughly 22 per cent, extending the 11 per cent boost of this budget from 2005 to 2006). The Resolution of the Council of Ministers 124 of 7 September 2006 modified the national innovation system. It reviewed the legal status of the State Laboratories so as to ensure conditions to operate, ability to render services, autonomy, renewal and mobility of staff, competitive attraction of high quality human resources, and greater raising and effective use of own income. The reform also foresaw the closing down or merging of some State Laboratories with other institutions, but also the establishment of new ones. Moreover, the decision was taken to appoint an “International Scientific and Technical Committee for consultation and monitoring of the State Laboratory Reform”. In order to improve ICT infrastructure the “GRID National Initiative” was launched. The initiative focuses on research and development and aims at reaping the benefits of the economic opportunities arising from GRID computing. In the educational sector new regulations were adopted that aimed to adapt the Portuguese higher education system to the Bologna Process that followed alterations to the Base Law of the Education System 49/2005 dated 30 August. Measures in this regard involved: a) a new legal regime for degrees and diplomas (Decree-Law 74/2006); b) opening of higher education through a new access regime for those over 23 years of age (Decree-Law 64/2006); c) development of non-degree post-secondary education, through a new legal regime of courses for technological specialisation (CET) (Decree-Law 88/2006). 2006 saw also establishment of new international partnerships to stimulate an international opening up of universities and motivate international excellence in R&D activities and advanced training in the front running S&T fields. In this context protocols have been signed in 2006 with MIT, Carnegie-Mellon University and the University of Texas at Austin.

In **2007**, a programme for the modernisation of secondary schools was launched.

4.23 RO - Romania (2004-2006)

Table 24 Reforms in Romania

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
RO	2004		0	0	0	0	0	1	1
	2005		0	0	0	1	3	0	4
	2006		2	1	1	3	4	2	13
	Total		2	1	1	4	7	3	18

MICREF currently covers the period 2004-2006 for Romania.

In **2004** the “Phare Vocational education and training Programme” (TVET) continued the process for the modernisation of the professional and technical education started by the multi-annual programme 2001 – 2003. The programme included education units from the rural area and from small and medium-sized municipalities and envisaged the rehabilitation of the vocational training infrastructure, endowment with didactic equipment and training of managers, teachers, inspectors, and social partners for addressing the requirements of adapting the offer of education and vocational training to the needs of the labour market.

In the year **2005** reforms were carried out in the following areas. Reform measures regarding the judicial system included: setting up the National Agency for Integrity; training of the magistrates; reorganisation of courts; infrastructure; and computerisation of the judicial system. In the policy field “R&D and innovation” through the Programme for Excellence in Research (CEEX) Romania supported complex R&D projects in fields specific to high technologies, the development of human resources for research and the promotion of the participation in European and international research programmes. The programme aimed at developing the R&D activities and infrastructures with economic impact at regional level. It also focussed on developing the research infrastructure in the specialised bodies, such as experiment and testing laboratories, calibrating laboratories, or certification bodies, as well as the participation in European and international research programmes. Moreover, the National Authority for Scientific Research (ANCS) was established in 2005. The ANCS mission is to harmonise national RDI policies with the current European trends in this field. Through the “Knowledge-Based Economy Project”, the premises were created for reducing the digital gap compared with the EU-25 average, by implementing an infrastructure of access to state-of-the-art information, citizen-oriented and public administration-oriented services, educational software, communication platforms, training in using the ICT technologies in 260 local communities. This project also supported the development of the local portals for the promotion of the e-commerce and e-business networks with a view to creating a virtual environment for promoting the e-commerce and e-business solutions. Approximately 200 Local Communities e-Networks (LCEN) shall be set up during 2007–2009, connected to broadband Internet, including schools, libraries, city halls and the public information service units.

In what follows Romanian reform efforts for **2006** are described. Regarding state aid the Government approved the document “Policy in the Field of State Aid (2006-2013)” in May 2006 and the Action Plan for its implementation in the meeting of 6 September 2006. In economic sectors a number of privatisations took place such as the enlisting at Bucharest Stock Exchange (BSE) the shares owned by the Romanian State at “Romtelecom S.A.”; the privatisation of “Radiocomunicatii S.A.”; and the privatisation of “Posta Romana S.S.”. Measures in the area “business environment and entrepreneurship” consisted of the following. A new legislation on insolvency was approved that established a general and simplified procedure. A number of measures aimed at improving the quality of regulations. In this respect the “Strategy for the Improvement of the System of Planning and Preparation of Public Policies at the Central Public Administration level” was adopted in 2006 and procedures for accounting regulatory acts were instituted at central level. This practice was intended to be continued by introducing regulations on impact assessment studies. In addition, it was planned to review the burden exercised horizontally and vertically by the public administration using a Dutch Standard Cost Model approach. While the general framework for drawing up impact assessments and cost-benefit analysis was set up in 2005, the obligation to complete (economic and financial, social and environmental assessments) the public documents endorsing draft regulatory acts was introduced in 2006. Finally, for the purpose of creating and implementing an ex-ante consulting system with the competition authority and ensuring its operation on a permanent basis, a specialised unit for the application of the regulatory impact assessment (RIA) techniques was set up through the appointed ministries unit, responsible for RIA implementation. In the area of taxation the Law amending the Fiscal Code was approved in July 2006. The law comprised legislative measures aimed at generalising the single quota of 16 per cent, expanding the tax base, adopting the relevant Directives in the European Union legislation, and improving and simplifying the current legislative framework. Further reform efforts in 2006 were undertaken in the area of the knowledge-based economy. In order to boost the Romanian Research Area, the National Council for Research & Development was set up in 2006 with the aim of coordinating the strategic R&D and innovation courses of action taken by the major players in the field. Moreover the IMPACT programme was launched. The programme is dedicated to the preparation of RDI projects for future financing from EU structural funds. It supports the costs for consultancy services needed for preparation of consolidated projects’ dossiers, including support documents (e.g. feasibility studies) that accompany the applications. At regional level structures have been set up to inform and offer advice to SMEs in order to encourage better protection of their industrial property rights (INNOVIMM programme). These structures have been extended to counties and seek a better interaction with centres of excellence and innovation poles to review innovation elements and ensure the transfer and use of industrial property rights to SMEs when acquiring new technologies that are research results. Furthermore, a package of fiscal measures especially meant to stimulate the RDI activities was promoted by the new Fiscal Code that entered into force on 1 January 2007 and that laid down the 100 per cent deductibility of certain types of expenditure for R&D; the 20 per cent deduction of the R&D direct investments with an economic impact; the non-taxation of income obtained by natural persons, from the use of patents (by the patent holder or by the licensed persons) or from granting of patents; and the tax reduction through flexible options for

the amortisation of expenditure for tangible and intangible assets. In the field of “education” we saw the “Early Education Reform Programme” and the “High School Money Programme”. The “Early Education Reform Programme” aimed at reducing the phenomenon of early school leaving, for Roma people, children from special schools and from socio-economically disadvantaged groups. The “High School Money” Programme provided fee free places in state/private universities and places in master programmes and doctoral programmes financed from the national budget.

4.24 SE - Sweden (2000-2006)

Table 25 Reforms in Sweden

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	1	0	5	0	0	1	1	8
2001	3	1	4	0	1	4	0	13
2002	1	0	3	2	0	2	0	8
2003	0	0	3	0	1	4	0	8
2004	0	0	1	0	2	1	0	4
2005	1	1	3	0	4	4	0	13
2006	1	0	0	1	3	5	1	11
Total	7	2	19	3	11	21	2	65

MICREF currently covers the period 2000-2006 for Sweden.

In **2000** the following reform measures were adopted. In order to improve the functioning of the internal market, information campaigns have been made to raise awareness of the National Board of Trade’s role as a contact point and to promote cross-border public procurement. In the telecommunications sector on 1 May 2000, an amendment of the Telecommunications Act came into force. According to this act licence holders of mobile telephone networks were required to sell excess capacity in the network to companies who require such capacity. In the railway sector the legislative amendment in November 2000 to Ordinance 1996/734 on the State’s rail track system strengthened the position of new operators of rail traffic procured from the state. Moreover, the Swedish State Railways (SJ) was converted at the end of 2000 into several limited companies so that it operates under the same terms as other railway operators. As regards the construction sector the Government has set up a Forum for Building Costs (Government Bill 2000/01:26) to follow up the various proposals put forward by the Building Costs Committee. The Forum works with increasing awareness and expertise among construction firms so that they can exert greater pressure on suppliers. In the area “R&D and innovation” a new organisation for research funding was established on 1 January 2001 (Government Bill 2000/01:3). The new organisation consisted of fewer but larger authorities than previously, thus enhancing opportunities for mustering strength and undertaking comprehensive ventures. In the field of “Education” with the aim of increasing teacher-to-student ratios, during the period 2001-2006, SEK 17.5 billion were earmarked to be injected into compulsory education.

2001 saw the following reform steps in Sweden. In the area of public procurement more far-reaching requirements were introduced regarding the advertisement of public

procurements below the threshold values. Furthermore, the Public Procurement Act was harmonised with the ruling of the European Court of Justice in the “Alcatel case” (Government Bill 2001/02:142). The amendment entailed that a given procurement may be reviewed during a period of at least ten days from the date of the decision to award the contract. At the same time the expiry of the secrecy requirement surrounding tenders has been changed from when the agreement is signed to when a decision is taken regarding the supplier and tender. New provisions in the Public Procurement Act made it possible for the procuring unit to invite tenders or applications to tenders in electronic forms. Regarding external openness of the Swedish Economy the Government Bill 2001/02:1 - 2002 Government Budget Bill (Government Bill 2001/02:167) introduced measures to promote imports to Sweden to increase competitive pressure and lower the Swedish price level. In the field of competition policy a bill to improve the effectiveness of fighting cartels was adopted by the Riksdag. The new rules mean that an enterprise that reveals a cartel, thereby facilitating the Swedish Competition Authority’s investigation, will be awarded a remission of the competition damages fee. The bill also addressed the issue of whether to make infringements of competition rules a criminal offence. In the telecommunications sector the Riksdag voted in March 2001 to introduce changes to promote the use of number portability. From 1 September 2001 onwards, number portability regulations also applied to the mobile market. In the electricity market the Government appointed a commission to highlight the competitive situation on the electricity market (Directive 2001:69). The commission completed its work by 1 December 2001. In the food trade sector the block exemptions for retail chains set out in the Competition Act ceased to apply as of 31 May 2001. Instead, the Government adopted general block exemptions for vertical agreements, i.e. agreements between firms at different links of the distribution chain. Regarding pharmacies the Act on Pharmaceutical Benefits set out new terms in order for pharmaceutical products to qualify for inclusion in the subsidised system. The Government has also set up the Pharmaceutical Benefits Board, a new authority with responsibility for subsidisation and price control. The previous system based on reference prices was thus abolished. In the policy domain “business environment and entrepreneurship” we saw the launch of “The Entrepreneur’s Guide” in October 2001. It is an interactive web site where entrepreneurs can search for information and ask questions about tax regulations and permits. As a type of business support service the National Board of Trade has elaborated its “Borderless Business” project and built up procurement for small and medium-sized enterprises in order to promote cross-border public procurement. Regarding the provision of ICT infrastructure, support was provided with the purpose of arranging internet connections with high transmission capacity in sparsely populated areas that do not attract commercial investment. Moreover, in order to promote the spread of broadband, businesses and property owners have received a tax reduction for broadband connections since 2001. With the aim of promoting links between universities and the business sector in September 2001, the Government put forward a bill to further enhance R&D and the innovation system in Sweden. It proposed that all universities and university colleges be given the opportunity to set up holding companies.

In **2002** the Swedish Government set up a network for problem solving in the Internal Market - SOLVIT. SOLVIT is an electronic and internet-based progression of a network

of contacts created in 1997 to deal with obstacles to free movement in the Internal Market. The shared database increases transparency in the problem-solving process. In the telecommunications market the Government in May 2002 introduced special regulations concerning subscriber information in the Telecommunications Act. The purpose was to enhance compliance with the requirement concerning the availability of comprehensive directory services as stipulated in the Voice Telephony Directive (98/10/EC). Moreover, the pre-selection reform was completed in February 2002 by covering local telephone services. The electricity sector was affected by the amendment of the Electricity Act (Government Bill 2001/02:56). The amendments entailed stricter requirements pertaining to grid operations and the supervision of such, as well as new criteria for assessing the fairness of network charges. In the area of “start up conditions” the “Law on changes in the tax payment act” made it easier for start-up companies by providing that the payment of the preliminary tax, income tax, social security contributions may be deferred for three months, beginning with the 2003 tax year. Another measure in this area was the adoption of “Kontakt-N” by the Swedish Patent and Registration Office and the National Tax Board. “Kontakt-N” is a web page aimed at considerably simplifying the process of starting up a business. The policy domain “R&D and innovation” was affected by two reform measures. The “National Agency for School Improvement” was established. This agency has national responsibility for developing the use of information technology in schools. Furthermore, in spring 2002 the Government initiated a project with representatives from the business sector, social partners and universities. The project aimed to formulate a strategy for a coherent innovation policy. The primary objective of such a strategy was to transform new knowledge from universities and university colleges into enterprises and growth.

2003 saw the following reform efforts by the Swedish authorities. The new Law on Electronic Communication (Law 2003:389, in force since July 2003) gave the National Post and Telecom Agency (PTS) expanded authority to intervene in markets that do not have effective competition. In such cases, the authority shall decide on appropriate obligations to be imposed on companies with significant market power, for example, with respect to controlling prices, interconnection or other forms of access. In postal services the Government appointed a special investigator in October 2003 with the task of conducting an economic analysis to see if the aims of the liberalisation had been achieved and to evaluate the regulation and the exercise of public authorities’ responsibility in the postal market. In the electricity market, the “Power Balance Law” made Swedish electricity Grid Company responsible for keeping a power reserve available in the Swedish electricity system. At first this law (Peak load reserve law 2003:436) was in force until the end of February 2008 but it has been prolonged until 15 of March 2011. In the area of “business environment and entrepreneurship” the transfer of ownership was facilitated through Govt. Bill 2003/04:17. In accordance with this regulation the easing of regulations on the inheritance and gift taxes was broadened on 1 January 2004. Under the policy domain “knowledge-based economy” the following reform measures have been recorded. The Swedish Agency for Innovation Systems (VINNOVA) distributed SEK 30 million in 2003 to develop a national incubator programme supporting the start-up and development of new research-based companies (as provided for in Government Bill 2002/03:1). Since the results had been positive, the programme was extended to the end

of 2004. At the beginning of 2004 it was proposed that VINNOVA put SEK 100 million into strengthening applied industrial research in information technology and telecommunication. Regarding ICT infrastructure in order to support municipalities' broadband expansion, the Budget Bill for 2004 contained a proposal that part of the funds previously reserved for reducing taxes for high connection costs instead may be used for investment in the IT infrastructure.

In the year **2004** Sweden undertook the following reforms in the microeconomic area. The new Railway Law which came into force on 1 July 2004 deregulated freight transport on railways. Railway companies throughout the European Economic Area (EEA) and in Switzerland have the right to compete for international freight transport and in some instances they also have the right to conduct domestic traffic in Sweden. In the reform area "administrative regulation" the Swedish Business Development Agency (NUTEK) reported on its task of elaborating a method for measuring companies' administrative burden and to implement a pilot measurement of the value-added tax law. Since 2004 Sweden has worked with the established SCM-method measuring the administrative cost for businesses. In February 2008 a full base-line measurement was completed. Regarding taxation the Government proposed in bill 2004/05:25 the complete abolition of the inheritance and gift tax as of 1 January 2005. Due to the tsunami-disaster in South East Asia the Government proposed in bill 2004/05:97 that the date of the abolition of the inheritance tax should be reversed to the 17 December 2004. With a view on "R&D and innovation" in June 2004, the Minister for Industry and Trade and the Minister for Education and Science presented an innovation strategy for modernisation and increased growth (Ds 2004:36). The aim of the strategy was to strengthen Sweden's innovative capacity with a number of measures and more cooperation between research, business and the public sector.

In **2005**, the Ordinance on Market Control of Goods (2005:895) was adopted and came into effect on 1 January 2006. The aim of the ordinance was to clarify what is meant by market control. It also clarified the tasks of the responsible government agencies and gave the Market Surveillance Council a stronger role. This Council consists of representatives of the market control authorities, the National Board of Trade and the Swedish Customs Service and functions as a national coordination body for issues concerning market control. In 2004/2005 the Riksdag addressed the issue that public sector conducts business activities in a way that hampers the development and creation of new businesses as observed by the Swedish Competition Authority, and proposed a number of measures aimed at improving the competition between private and public actors. In the gas sector the new Natural Gas Act (2005:403) was approved by Parliament during spring and entered into force on 1 of July 2005. The law allowed all non-household customers to choose supplier. The changes in the new Natural Gas Act also included a requirement for legal separation between network activities and trading in natural gas, a requirement that the transmission companies may not apply their transmission tariffs before the regulating authority has approved the methods used for structuring the tariffs, and the introduction of requirements concerning system liability and liability for maintaining the balance on the natural gas market. As regards regulations of the electricity market the proposed changes to the Electricity Law were passed by

Parliament on 25 May, and came into force on 1 July 2005. The changes to the Electricity Act included requirements in respect of a functional separation between grid companies and trading companies, a reduced limit for hourly metering of electricity consumption and requirements that those selling electricity shall declare the mix of energy sources used to produce the electricity that they are selling. Moreover, the Energy Markets Inspectorate was established as part of the Swedish Energy Agency by the Government on 1 January 2005. This reform brought together the duties of monitoring and analysing events on the market, as well as exercising supervision of the electricity, natural gas and district heating markets. In the area of “business environment and entrepreneurship” the following reform measures have been recorded in the database. A new Companies Act entered into force on 1 January 2006. One of the guiding principles for this reform has been to provide Swedish companies with a flexible and competitive legal framework. The new act has been supplemented and amended through changes that entered into force 1 July 2007. The aim has been i.a., to increase the flexibility for companies with respect to their use of certain financial instruments. In the area of e-government a new Government agency, the Swedish Administrative Development Agency (Verva), was established on 1 January 2006. The agency is to work on developing public administration in Sweden. A main role is the development of an electronic administration. The agency shall also coordinate the IT infrastructure in central government agencies. Directed at entrepreneurship was a national programme for entrepreneurship launched in 2005 with a budget of SEK 130 million through 2007. With the purpose of fostering “R&D and innovation” the following reform measures were carried out. The research bill adopted by the Government and the Riksdag - Research for a better life (Government Bill 2004/05:80) provided an increase of SEK 2.34 billion in government funding for research for 2005 to 2008. The bill gave priority to the research areas medicine, technology and sustainable development. Also, the “2006 support programme for research and development in SMEs” which was adopted in 2005 attracted great interest. Moreover, the Government agencies financing research were enabled to provide long-term financing to prominent research and innovation environments that are very internationally competitive. In 2006 twenty top-quality dynamic research environments have been selected from among their competitors in various academic disciplines and subjects, for example, nanoscience, stem cells, environment, climate and demographic studies. These environments are to share SEK 3 billion over 10 years. Fifteen excellent research and innovation environments with relevance to business have likewise been selected from such sectors as telecommunications and IT services, biotechnology and product development. The central government is allocating a total of SEK 2 billion over ten years as co-financing with industry. Furthermore, in order to finance commercialisation of innovations, a long-term effort to supplement investment was planned, beginning in 2005.

Reform efforts in the year **2006** comprised the following reform measures. In the area of public procurement in July 2006 the Government decided on the Ordinance on Antidiscrimination in Public Procurement Contracts (2006:260). In accordance with this ordinance 30 central government agencies were obliged to specify terms in their procurement contracts to discourage discrimination by suppliers. As a measure to improve the business sector’s access to risk capital in a first step of the phasing out of the

wealth tax, the tax rate has been reduced from 1.5 per cent to 0.75 per cent per cent on entrepreneurial capital, i.e. financial assets, from 2007. Activities aimed at improving the quality of regulations were the following. In the autumn of 2006, the Government announced a new single quantitative target for a reduction of the administrative burden of enterprises. The target is to reduce the administrative cost for businesses with 25 per cent by 2010. The plan includes measures that are to be implemented between 2007 and 2010. Examples of measures are the simplification of regulations, a reduction in the requirements to submit information, increased possibilities of submitting information electronically and the provision of better service by public authorities. New rules about submission of electronic documents to the Swedish Companies Registration Office entered into force on 1 July 2006. The rules mean that limited liability companies may send in notifications of registration, applications and annual reports electronically. Another reform simplified accounting laws. Finally, a new strategy for electronic management has been decided. This strategy contains targets for handling electronic messages and electronic purchasing processes and public procurement. A corresponding coordination of electronic management also takes place in the municipalities and county councils, in the Swedish Association of Local Authorities and Regions. Together with the Swedish Administrative Development Agency and National Financial Management Authority and others, organisations have worked for a uniform IT infrastructure for the public sector. In the area “knowledge-based economy” we have seen the following actions. In order to make the patent system more attractive, the Government in summer 2006 decided to reduce the fee for patent applications so that it is not regarded as an obstacle, particularly by individual inventors or small enterprises. Furthermore, in June 2006 the Riksdag decided on guidelines for future long-term energy policy measure on research, development, demonstration and commercialisation in the energy area (Govt. Bill 2005706: 127, Research and New Technology for Future Energy Systems). The decision provided a long-term basis for activities and an allocation of over SEK 800 million annually was planned for the purpose. Moreover, the decision was taken to increase basic financing of the institutes by SEK 45 million in order to strengthen their competence and thus make it easier for industry, especially SMEs, to get access to research results. Also in 2006 a three-year programme aimed at stimulating more use of e-identification was initiated. By supporting government agencies’ demand for electronic identification (eID) in a market, these agencies have been given the opportunity to develop electronic services that enable them to improve management efficiency. For the purpose of promoting new public-private partnerships, strategic development programmes have been designed in the course of a dialogue between the Government and government agencies, industry and employee organisations. The central government is contributing SEK 200 million a year from 2006 to 2010 for strategic development programmes co-financed with the business community. In the educational sector, resources to basic higher education, postgraduate education and research were strengthened to enable academic institutions to maintain quality in education.

4.25 SI - Slovenia (2003-2006)

Table 26 Reforms in Slovenia

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
SI	2003	0		0	0	0	3	0	3
	2004	1		8	2	1	2	2	16
	2005	0		1	1	2	1	0	5
	2006	1		6	0	10	11	2	30
	Total	2		15	3	13	17	4	54

MICREF covers the period 2003-2006 for Slovenia.

For **2003** three measures have been recorded under the policy domain “knowledge-based economy”. The document “Initial Standpoints and Guidelines for the National Research and Development programme” was adopted by the Council for Science and Technology on 11 March 2003 and approved by the Government in July 2003. In accordance with the “Research and Development Act” from the year 2002 a public agency, namely Slovenian Research Agency (ARRS), was established in December 2003 by a decision of the Government. A novelty in the cooperation between industry and the research community was the decision adopted in December 2003 to finance the establishment of at least eight centres of excellence in priority areas of research and technological development, intended to connect, through joint R&D, research and educational institutions with the leading industrial subjects.

2004 saw the following reform steps. The “Public Procurement Act” was amended in January in order to be fully harmonised with the EU Directives. Since May 2004, the Rules on Standard Forms for all types of notices, which must be advertised by contracting authorities under the “Public Procurement Act”, have been applied. The amendment to the Public Procurement Act prescribed the use of electronic notices and invitations to tender. For the purposes of setting up a single information portal for electronic notices concerning public procurement a 12-month transition period has been applied. In the telecommunications sector the new “Act on Electronic Communications”, adopted in April, liberalised the telecommunications market in accordance with EU legislation. No exclusive and special rights are awarded to any subject on the market and entry into the market was simplified. Competition exists in all market segments of the telecommunications market, with the exception of fixed telephony for national calls. The Act on Electronic Communications introduced a variety of mechanisms for market-relations-balancing and the independent regulatory agency received extended competences to protect competition and to cooperate with the Competition Protection Office of the Republic of Slovenia and with the EU regulatory bodies. The Postal Services Act adopted in 2002 and amended in May 2004 abolished the monopoly in the field of postal services and liberalised the postal market by removing all legal obstacles for the entry of competitors. The “Post and Electronic Communication Agency” supervises the deregulation of postal services in accordance with the law and its duties. With the adoption of amendments to the Energy Act in April 2004, Slovenia transposed

the requirements contained in the Directive on the internal natural gas market into its national law. Based on the amendments to the Energy Act, the required legal and functional separation of the activity of the natural gas transmission network operator from other commercial activities was introduced. In May 2004, amendments to the Energy Act were passed, providing the opening of the market for all non-household customers on 1 July 2004. In the area of transportation since joining the EU, the entire freight rail transport, including combined transport, has operated as a commercial activity, while passenger transport has remained a public service obligation. Access to public railway infrastructure has been liberalised, in alignment with the EU rules. Licences to operate rail transport, issued in the EU, are recognised in Slovenia. In the air transportation sector in 2004, a public company “Kontrola zračnega prometa Slovenije, d. o. o.” was established which provides air traffic services, air information services and an air telecommunications service, as a compulsory, national public service obligation. Hence, regulatory tasks have thus been separated from the operation of public services. In public passenger transport in 2004, a Decree on the concession granted for the operation of the public service obligation of public regular passenger services in internal road transport was adopted; and concession contracts with transport operators were signed for a period until 2008. These transport operators received until the end of 2004, a supplement of SIT 50 (EUR 0.2) per each kilometre travelled, which represented doubling of the previous subsidy); as from January 2005, the level of the supplement depends on the difference between expenses incurred and revenues generated in individual services, calculated for each kilometre travelled. Slovenia thus shifted from a system of subsidies provided to public passenger transport to a system of operating and co-financing a public service obligation for the operation of this transport. Other reform efforts focussed on the “knowledge-based economy” and the “business environment”. In the latter we saw the adoption of the Entrepreneurship Environment Support Act. This act stipulated the establishment of a system putting in place the institutions of innovative environment, technological parks, incubators and technological centres. By defining such institutions, the new act provided for a better transparency of public spending for that purpose, since it set apart the services for development and knowledge transfer for groups of enterprises as a public function, and the implementation of development projects for enterprises as a state assistance. The act also provided the basis for the use of funding from the European structural funds. The “Act on Revisions and Amendments of the Small Business Act” liberalised the small business sector in those areas that guarantee equal conditions to the small business on the common European market. The new act stipulated that the craftsman’s licence may be granted to anybody who has at least finished higher vocational education in the appropriate programme and has at least three years of experience. There are no more qualification conditions for engaging in similar crafts. Furthermore, the act outlined the basis for determining the membership fee and an indicative structure of the Chamber’s bodies. In the area of business taxation the adoption of the new Corporate Income Tax Act brought Slovenia’s tax system into line with the EU requirements in the field of tax treatment of dividends, company restructuring, interest and royalties; it also removed tax barriers for the operation of entities in the internal market. At the same time the tax on total assets of banks was abolished. Reform measures in the area of the “knowledge-based economy” concentrated on the following issues. In accordance with the “Research and Development Act” from the year 2002

(Official Gazette RS No. 96/2002), the Slovenian Technology Agency (TIA) was established in spring 2004 by a decision of the Government. In terms of “fiscal incentives for private R&D” the 2004 amendment of Corporate Income Tax Act entitled companies to a reduction of taxes amounting to 10 per cent of the invested amount in equipment and an additional reduction of taxes amounting to 10 per cent of the invested amount in equipment for research and technological development. The amendment also introduced tax relief for the employment of Ph.D.s in companies, with a decrease in taxes amounting to 30 per cent of salaries of newly employed Ph.D.s for the first 12 months of their employment. Furthermore, in 2004, the Science and Technology Council adopted first operative decisions concerning the priorities of future research funding that were based on a previous initial project of technology foresight (Project of Technology Foresight for Slovenia: First phase, Institute for Economic Research, Ljubljana, September 2004). In the educational sector an amendment to the “Higher Education Act” and the adoption of the “Recognition and Evaluation of Education Act” laid the legal basis for the reform of higher education. The reform included measures aimed at increasing the quality of study, facilitating the employment of graduates and changing the financing of higher education. The amendments to the Higher Education Act envisaged the establishment of a “Council for the Evaluation of Higher Education” within the Expert Council for High School Education to perform the tasks of the “National Agency for Quality Assurance in Higher Education”. Moreover, under the amendments to the Higher Education Act, first- and second-degree study programmes will be phased in by 2009/2010 academic year at the latest, which means that those programmes adopted before the amendments to the act came into force will be phased out. The last enrolment year for the current programmes was 2008/2009 and the programmes will have to finish in the 2015/2016 academic year. Finally, the “Post-Secondary Vocational Education Act” adopted in 2004 placed higher technical education under tertiary education. In accordance with the Bologna process, the Act introduced credit assignments (ECTS) and established the mechanisms for monitoring and assuring the quality of higher technical education by the same institution that deals with higher education.

Reform efforts in **2005** can be characterised as follows. In the electricity sector auctions of cross-border transmission capacity were launched by the system operator of the transmission network. Under the policy domain “business environment and entrepreneurship” an electronic one-stop shop (e-VEM) system for individual private entrepreneurs was launched in 2005. The time needed to set up a private entrepreneur’s business was shortened from 8 days to 1 day and the fees for registration, closing and changing the organisation form of the individual private entrepreneurs were abolished. The VEM and e-VEM projects for individual entrepreneurs have been complemented with similar one-stop system for the registration of firms (limited liability and unlimited companies). This service enables future entrepreneurs to settle all registration formalities in one place and shortens the procedure from registration, submitting other required data and receiving decisions to 7 days. In order to improve the quality of regulations the Slovenian Government adopted at the end of 2005 the “Removal of Administrative Obstacles Programme”. The programme has as objectives an efficient public administration for citizens and the introduction of better regulation in the field of drafting regulations and adopting decisions. All bodies responsible for implementing measures as

well as ministries and government services must consider this programme when drafting the regulatory and other programmes of work for 2006, 2007 and 2008. A further reform step was the establishment of the “Public Agency for Entrepreneurship and Foreign Investment” (PAEFI) by joining two former agencies, the Small Business Development Centre (SBDC) and the Slovenian Trade and Investment Promotion Agency (TIPO) in co-operation with the Slovenian Enterprise Fund. The Agency started working in January 2006 and the reorganisation has led to better synergy between the programmes of former SBDC and TIPO and improved the efficiency of the policy conducted by the Ministry of the Economy. In the area “R&D and innovation” in December 2005, the Resolution on the National Research and Development Programme (NRDP) 2006-2010 was adopted. The NRDP comprises a systematic set of goals, quantified targets and measures together with time-tables and bodies responsible for their realisation. Stronger co-operation between the public research sphere and the business sector is the leading idea of the NRDP and is supported by a number of measures. Besides other items it foresees support to strengthening of R&D in the business sector, encouraging international R&D co-operation, researchers’ mobility, increasing protection for intellectual property rights and the role of public procurement in the sphere of R&D.

In **2006** the following reform measures fell under the scope of MICREF. In the telecommunications sector the strategic proposals for the privatisation of Telekom Slovenia and NKBM were approved by the Slovenian Government on 11 May 2006. The first step in the process was taken by floating Telekom Slovenia on the stock market on 1 October 2006. After privatisation the state retained 25 per cent of the company plus one share, which allows the government to have a say in some of the company’s strategic decisions. Another measure in the telecommunications market was the introduction of number portability. Number portability was introduced by mobile operators at the beginning of 2006 and for publicly accessible telephone services at a fixed location in May 2006. In the electricity sector the adoption of the amended Energy Act, abolished the licence required for wholesale energy trading in Slovenia. This primarily simplified the access of foreign providers to the Slovenian energy market and especially to the Slovenian power exchange. In the area of air transportation we saw the harmonisation of national air transport legislation with EU law in order to liberalise the commercial aspects of transport and ensure common standards in transport, technical and safety regulations. A total of 21 regulations (rules, decrees, acts) for this area were adopted in 2005 and further six regulations were passed in the first six months of 2006. Administrative procedures were shortened and new lines were opened, including lines for low-cost airlines. Furthermore, the programme of the withdrawal of state control from companies was adopted by the Government in July 2006. State owned companies were divided into three groups: the first group comprises non-profit enterprises, from which the state is supposed to withdraw in 30 months; the second group includes enterprises listed on the stock exchange, for which a period of 24 months is foreseen for the state’s withdrawal; the third group covers major companies where time limits for sale are inappropriate. In terms of privatisations advisory panels were appointed for four leading Slovenian commercial companies to prepare privatisation programmes for these firms. A number of reform measures affected the judicial system. For instance, targeted towards the efficiency of the legal system the Act amending the General Offences Act provided for

the disburdening of judges regarding some tasks, which speeded up judicial proceedings and thus improved the efficiency of courts. In the same area of reform two amendments to the “Enforcement of Judgements in Civil Matters and Insurance of Claims Act” (ZIZ-C and ZIZ-D) pursued the objective of the simplification and acceleration of legal proceedings, and provided for the acceleration of the enforcement procedures and disburden the executive courts. Moreover, the “Protection of the Right to Trial without Undue Delay Act” was adopted in April 2006. The purpose of this act is to provide adequate protection in this field, while its impact also pertains to the simplification of legislation and standardisation of legal proceedings. The act regulates in detail a single simplified procedure according to which alleged infringements of the constitutional right to trial without undue delay are settled, while stipulating relatively stringent deadlines for settling any claim under this act. Further reform measures aimed at improving the small business environment. The Value Added Tax Act raised the taxable turnover threshold, introduced tax warehouses and abolished the obligation of keeping special tax records on VAT. By changing the definition of taxable turnover, which is taken into account when assessing the scope of business operations for the obligatory entry to the VAT system, the number of VAT taxable persons was reduced and the system simplified for those taxable persons who pursue predominantly VAT-exempted activities without the right of claiming the deduction of input tax. The Slovenian Government also adopted a methodology for implementing and monitoring the “Declaration on the removal of administrative obstacles and the participation of interested stakeholders”, which relates to the acquisition of information on the impact of regulatory proposals and their effects on the relationship between the public administration and customers as regards the introduction of new or the amendment of the existing administrative or other procedures, and as regards new obligations to report data or any other obligation of customers. This methodology intends to provide a detailed definition of the contents of the initial regulatory impact assessment. The “Declaration on the removal of administrative obstacles and participation of interested stakeholders” in the process of adopting government decisions introduced mechanisms which contribute to the drafting of quality regulatory proposals and to skilfully supported government decisions in a more consistent manner. Progress was also achieved in the area of e-government. Since May 2006 the e-government has been offering the citizens a modernised portal of the public administration electronic service, which in the one place collects forms of public administration institutions. In January 2006, the Slovenian Government established the Government Office for Growth which is in charge of co-ordinating and monitoring implementation of the Slovenia’s Development Strategy, while it also performs tasks related to economic and social reforms and development. In so doing, the Office provides all the necessary expert support for ministries and participates in drafting laws, implementing regulations and other legal acts required in implementing the Slovenia’s Development Strategy and reforms. In September 2006 the Government adopted seven new draft tax laws that addressed the area of business taxation among them the Tax Procedure Act. This act simplified the tax procedure and eliminated unnecessary administrative operations both with taxable persons and tax authorities, thus substantiating the expectations of reducing costs when implementing the fiscal legislation and improving the performance of the tax administration. Apart from simplification, these laws particularly provided for: a) a reduction of the personal income tax brackets

from five to three and the marginal tax rate from 50 per cent to 41 per cent; b) retention of the schedular taxation of passive income (income from property) introduced in 2006 at a single final rate of 20 per cent; and c) a gradual reduction of corporate income tax from 25 per cent to 20 per cent and abolition of the general investment tax credit by retaining tax relief for regional investment in research and development. In order to support businesses in foreign markets and in compliance with the “Law on Promoting Foreign Direct Investment and Internationalisation of Enterprises” (adopted in June 2006), the legal groundwork for the establishment of JAPTI - Slovenian business representation offices abroad has been prepared. Based on the economic evaluations conducted, the Government has given its prior consent to the establishment of four Slovenian business representation offices abroad - named Representations of the Slovenian Economy JAPTI - in 2006 in Düsseldorf (Germany), Milan (Italy), Istanbul (Turkey) and Bucharest (Romania), and in 2007 for three additional Representations of the Slovenian Economy JAPTI in Kazan (Russian Federation), Shanghai (China) and Sao Paulo (Brazil). The Public-Private Partnership Act of 2006 regulated the purpose and principles of private investment in public projects and/or of public co-financing of private projects that are in the public interest, the methods of encouraging public-private partnership and the institutions concerned with its encouragement and development, the conditions, procedure for creation and the forms and methods of operating public-private partnerships. Further reform measures were undertaken under the policy domain “knowledge-based economy”. The fragmentation of publicly funded research projects has been addressed in 2006 by special measures by the SRA. In 2006, the agency received 1 per cent more money for research projects than the previous year, and at the same time decreased their number from 779 to 613. In 2006 a positive change was recorded in the amount of targeted research projects co-financed by interested ministries. This change was mainly due to the introduction of the “Science for Security and Peace 2006-2010” programme. Furthermore, important steps were carried out by the SRA in 2006 to increase application of scientific achievements and strengthen popularisation of the social and economic role of science such as: a) introduction of a self-promotional normative principle, under which research programmes and projects financed by the Slovenian Research Agency (SRA) have to annually manage promotion in their respective fields; b) systematic presentation of top Slovenian scientists, projects, achievements, award winners and other topics in TV shows, in order to bring the success of Slovenian R&D activities to the audience in a popular manner; c) cooperation with newspapers and TV stations to bring to the fore the scientific information relating to issues of every-day life. In terms of monitoring research outcomes, SRA set up a system for monitoring the transfer of know-how from research programmes through favouring those public research programmes whose findings are actually utilised by users of the know-how. Moreover, in the middle of the five-year period of funding (2004-2008), an in-depth annual evaluation of research and applied results of 262 programmes was carried out. Furthermore, all regulations that govern the allocation of SRS’s budget have been upgraded with elements and indicators for promoting greater scientific quality, transfer of know-how and international scientific cooperation. Evaluation procedures for deciding on the allocation of funds to research projects were largely amended through new rules on criteria and indicators of scientific and professional success of project proposers. Moreover, a new expert system became operational, allowing for more objective and coherent evaluation.

In the system, the evaluation and decision-making process were clearly separated and safety mechanisms were introduced at all levels of evaluation and decision-making to prevent conflict of interests. The expert system for evaluating research proposals was internationalised through engagement of foreign evaluators and thus achieved greater international comparability of evaluation criteria. In order to achieve a professional and transparent system of managing R&D, in line with the principles of the National Research and Development Programme, in 2006 the SRA started to introduce electronic forms of communication and cooperation with end users of its services, especially electronic application forms, evaluation of research applications and research reports. The results of research, including research reports, publications and other achievements of every researcher or a project and programming team are available on-line. In order to achieve transparent management with its budget, the SRA introduced a regularly updated overview of the allocation of funds for all contracts. A number of reforms aimed at increasing the mobility of researchers. A new programme to support cooperation of distinguished foreign scientists with their Slovenian counterparts was established in 2006 in order to introduce Slovenian scientists to publications in renowned scientific magazines. Furthermore, the “Brain Gain” programme aimed at increasing the number of distinguished foreign scientists who carry out their research for a specified period of time at Slovenian research institutions. Moreover, a public tender for co-financing researchers in the economic sector amounting to SIT 1.35 million (EUR 5.63 million) to be used in 2006-2008 was held in 2006 under the programme for the transition of researchers from national and foreign institutions of knowledge to Slovenian enterprises. Fiscal incentives to undertake R&D activities were fostered through the amendment of the Corporate Income Tax Act. The Act introduced tax relief for investments in R&D whereby taxable persons have the possibility to claim a reduction of the taxable base in the amount of 20 per cent of the total sum intended for investment in R&D in a particular tax period, yet only up to the amount of the taxable base. Investments qualified for relief include investments in the internal R&D activities of taxable persons and in the purchase of R&D services provided by other people, including affiliated entities, or other public or private research organisations. Such relief is further improved with a regional component, i.e. regional relief (in less developed regions tax relief for R&D investments will be increased up to 30-40 Per cent). A further measure in the policy field “R&D and innovation” was the establishment of a Slovenian centre for competitiveness and innovation at the end of 2006. It enables the networking of all support services, innovative enterprises, investors, universities and research institutions. The centre serves as the national centre for innovation and is used to create a fully operative innovations market with the aid of one-stop shops. In the field of “education” the Vocational and Technical Education Act adopted in July 2006 introduced the enhanced interconnection of general, technical and practical knowledge and education adjusted to individual competencies. Moreover, it introduced the openness of curricula and envisaged the obligation to carry out part of the educational programme directly in the work process, i.e. at the employer’s premises. Improvements have been made to the Young Researchers Programme. A new type of distributing funds was implemented and consolidated in 2006, by the selection of their mentors (instead of individual candidates as in the past) leaving to mentors the responsibility to select most promising students and bring them to a successful termination of the programme.

4.26 SK - Slovakia (2003-2006)

Table 27 Reforms in Slovakia

		Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
SK	2003	0	0	1	0	0	1	0	2
	2004	3	0	2	2	2	1	1	11
	2005	0	1	1	0	3	3	2	10
	2006	1	0	0	2	2	4	1	10
	Total	4	1	4	4	7	9	4	33

MICREF covers reform measures of Slovakia for the period 2003-2006.

In **2003** the Act on Electronic Communications was adopted and came in force on 1 January 2004. This act transposed the new EU regulatory framework for electronic communications into the Slovak law. It strengthened the competences of the Telecommunication Authority, accelerated liberalisation of the telecom market and strengthened user's rights.

For the year **2004** the following reform measures have been collected. In compliance with the commitments of the Slovak Republic and the requirements of the European Commission, all non-tariff barriers were removed. Within the period of 1 January 2004 – 31 December 2005, Slovak Parliament adopted two amendments to the Act on Electronic Communications. They aimed to precisising provisions and improving transposition of relevant acquis into the Slovak legislation. As regards administrative regulation, the Parliament passed two bills that regulated the trans-national legal forms of companies. The “European Economic Interest Grouping Act” entered into force on 1 May 2004, while the “European (Joint Stock) Company Act” entered into force on 1 November 2004. Furthermore, in line with the legislation of the European Union in the area of consumer protection, Slovakia adopted an amendment to the Civil Code, which entered into force on 1 April 2004. This amendment established a two-year warranty period and regulated new types of consumer contracts. In the natural gas sector, the Energy Law provided for the opening of the gas market and its legal and technical aspects. The entry into force of the new legislation on 1 January 2005 increased the degree of opening of the natural gas market in Slovakia to 73.5 per cent of total gas consumption; from 1 July 2007, all customers including households have been qualified as eligible customers. The requirements of Directive 2003/55/EC concerning the separation of accounts, and functional and legal separation, have been incorporated into the legislation in force with effect from 1 January 2005, including the deadlines for carrying out the separation. The operator of the transmission network and the operator of the distribution network have been legally separated from the parent company as from 1 July 2006. In the electricity sector, with effect from 1 January 2005, all customers except households have the status of eligible electricity customers. The degree of opening of the market thus attained 75 per cent of the overall consumption of electricity in the Slovak Republic. The households obtained the right to choose their supplier as from 1 July 2007. Since 1 January 2005, the Slovak energy legislation meets all the requirements for the accounting, functional and legal separation of electricity supply, including relevant implementation deadlines. In the

railway sector an amendment to the Railway Act approved by the Government in September 2004, proposed the establishment of an authority for the regulation of the railway transport, the so-called Railway Authority, with effect from 1 January 2005. The act was to improve access of licensed transporters to the railway infrastructure. In the area “business environment and entrepreneurship” the following reform measures have been undertaken. In May 2004, the Parliament adopted an amendment to the Trades Act, which shortened the period for the issue of unregulated licences from 15 to 7 days. The period for the registration of VAT and income tax payers have been cut short as well. In terms of “rules for a second start of businesses” in August 2004, the Government approved and submitted to the Parliament the draft “Act on Bankruptcy and Reorganisation” and the related draft “Act on Trustees”. The new act was to remedy many problems of the past, in particular the lengthiness of bankruptcy proceedings, weak position of creditors, inefficient mechanisms for debt recovery and lack of transparency in the bankruptcy procedure. The mechanism of composition with creditors was replaced by the mechanism of reorganisation, which protects the interests of small creditors during bankruptcy. The new act also provided for a fast-track bankruptcy procedure that can be invoked in cases involving small debtors, particularly natural persons. A measure aimed at improving the efficiency of the legal system was “Act 371/2004 On seats and Circuits of Courts amending Act 99/1963 and the Code of Civil Procedure”. The act changed the structure of courts in the Slovak Republic with effect from 1 January 2005; under the amended law, district courts have first-instance jurisdiction, regional courts, have appellate jurisdiction, and the Supreme Court of the Slovak Republic has jurisdiction only extraordinary legal remedies; the remainder of its activities is focused on the unification of judicial decision making. Moreover, the second legal pillar in the area of court management and administration (Act 757/2004 On Courts and on amending certain other acts) entered into effect on 1 April 2005. Its objective was to separate court administration of justice at individual courts, and to strengthen self-governing judicial institutions in the administration and management of courts and in the administration of justice. In the area of “R&D and innovation” the “Strategy of the Informatisation of Society in the SR” was adopted as one of the main instruments for transforming Slovakia into a dynamic knowledge-based economy. The implementation of the Strategy is set out in an Action Plan that contains schedules, means, commitments, responsible bodies and indicators of achievement. The Strategy is based on three pillars: building of contents (information and services), development of human resources, and communication infrastructure. In the educational sector since 2004 there have been information and communication technologies implemented in curricula at all levels of schools, which will ensure digital literacy of each pupil.

In 2005 Slovak reform efforts concentrated on the following areas. As regards state aid the Government approved the Rules for the Provision of Individual State Aid to Investors (Resolution 855 of 26 October 2005). The main objective of the approved rules was to increase the effectiveness and transparency of the state aid system. The rules are based on the applicable legislation of the Slovak Republic and legal standards of the European Union. In the judicial system legislative Act 341/2005 introduced the elimination of the possibility to enforce decisions by court (except for enforcing judicial claims and decisions involving minor children) which applies, inter alia, to the enforcement of

maintenance claims that can be sought exclusively through enforcement officers (executors). Prior to the entry into effect of Act 341/2005, practically all maintenance claims had been enforced by courts. In the area of “business environment and entrepreneurship” a comprehensive audit on business obstacles has been carried out. The aim of this task was to analyse the existing legislative situation, the demands placed by the state on the business sector, and public administration processes that have direct implications for the business sector. An important part of the audit is a questionnaire survey and targeted interviews with entrepreneurs and managers concerning obstacles to businesses and possible ways of their elimination. Besides the analysis of the existing situation, the audit also brought a proposal of measures aimed to eliminate the barriers identified and the financial burden on business entities. The audit was performed between August 2005 and April 2006 by the Slovak Employers’ Association (RUZ) and the Business Alliance of Slovakia (PAS). Furthermore, the “Action Plan for Measures to Enhance Business Environment in the Slovak Republic” in 2005 followed the “2004 Report on the State of Business Environment”. Other reform measures focussed on the “knowledge-based economy”. In conformity with “Act 172/2005 on the organisation of state support for research and technological development” the members of the Presidium of the Slovak Research and Development Agency were appointed by Government Resolution 845 of 26 October 2005. The Act 172/2005 also called for projects to finance researcher mobility funded by the Slovak Research and Development Agency. With a view on utilisation of ICT in 2005 the Ministry of Culture (MoC) submitted the project “Informatisation of Libraries”. Project realisation started in June 2006 and was implemented by the Slovak National Library and co-ordinated by the MoC. In the field of “education” the development of higher education quality was supported by legislative measures (passing an amendment to the Higher Education Act, issuing a decree- the Motivation Scholarship Decree) and financial subsidies to introduce and provide motivational scholarships to the best and most active students, and introduction of social scholarships, which ensured equal chances of access to higher education studies. The objective of the amendment to the Higher Education Act was to contribute to efficient operation of the higher education system in accordance with the Bologna Process and the needs of the practice; the operation of foreign higher education institutions as well as of private higher education institutions requires to have accredited higher education institutions operating in the territory of the Slovak Republic and, at the same time, the law implemented EU Directive concerning refugees and students from third states. In order to support the quality of higher education institutions, basic conditions (criteria, plans) were created in the period of 2005/2006 for launching and developing comprehensive accreditation of higher education activity as the basis for the evaluation of their quality and for their qualitative differentiation (universities/higher education institutions other than universities, research universities/universities).

In **2006** the following reform measures have been recorded. Since May 2006 the Public Procurement Portal has been accessible for the public (www.evo.gov.sk). The Electronic Public Procurement (EPP) project related tasks were defined in the Resolution of the Government 230 of 15 March 2006. The EPP project allowed the government and public sectors organisations to prepare for the statutory obligation of electronical procurement of all goods from 1 January 2007. As regards “start-up conditions” the Government’s

Resolution 324/2006 of 19 April 2006 was adopted whereby it approved the “Draft Concept for Establishing a One-Stop Shop Network in Slovakia”. The Resolution set out the implementation of a number of tasks with a view to simplifying the entry of (domestic and foreign) entrepreneurs to the market of services, thus also fulfilling one of the objectives of the programme “Public Administration as a Partner and Not as a Burden”. Gradual fulfilment of these tasks will lead to the establishment and operation of one-stop shops (OSSs) in Slovakia, which makes it possible to concentrate all administrative procedures connected with the registration of business entities in one single spot. With a view to reducing the administrative burden caused by the application on employers as well as on entrepreneurs (who are not employers) “Act 124/2006 on health and safety at work” and “Act 125/2006 on labour inspection and on amendment of Act 82/2005 on illegal work and illegal employment” were both drafted and came into effect on 1 July 2006. The new legislation eliminated the following former employer’s obligations: a) to have an authorisation for the performance of some entrepreneurial activities; b) obligations on the side of the employers for performing regular annual work health and safety inspections; c) reporting the date of business operation start to labour inspection authorities. Regarding e-government we saw the approval of the “Law on Public Administration Systems repealing Act 261/1995 Coll. on the State Information System”. The new law laid down the rights and obligations in the area of public administration information systems, basic requirements for their security, and the procedure for issuing electronic excerpts of data from public administration information systems. It created the first systemic technological basis for the functioning of public administration as a single entity. Furthermore, on 1 July 2006, the technological part of the Central Public Administration Portal (ÚPVS) was put into operation. In the course of 2006, the services of the Trade Register, services of the Central Office for Labour, Social Affairs and Family, and services of the Slovak Business Inspectorate were made available. The objective of this project was to make the public administration services and information accessible to citizens, entrepreneurs and public administration authorities and, thus, to simplify the process of the provision of its services. Further reform measures in 2006 concentrated on the policy domain “knowledge-based economy”. The statute of the Slovak Research and Development Agency was approved by Government Resolution 250 of 22 March 2006, and the agency started to operate in line with its stated purpose set out in that legislative provision. The agency programme for promoting human potential in the area of research and technological development, and the popularisation of science was approved by Government Resolution 216 of 8 March 2006. The programme is a new financial instrument in the area of competitive financing of research and technological development under the priority 1 area (Raising and supporting highly qualified scientists) of the Minerva programme. It supports the promotion of the mobility of human resources and the popularisation of science in the society. The agency issued the call for projects under this Programme on 18 April 2006. In March 2006 new methodological guidelines and principles for the assessment of the quality of the outputs of public R&D programmes have been adopted. An instrument to promote international R&D cooperation was developed which involved the establishment of a new department and a new financial facility as well as the publication of a call for projects. In this context, the SARC (an organisation of the Ministry of Education) was dissolved as of 1 April 2006 and became the new department for international scientific and technological co-

operation within the Slovak R&D Agency, focused in fostering the participation of Slovak entities in international projects. The financial facility was a new state budget reserve (SKK 50 million from the Minerva project for 2006) for VAT refunds to successful participants of the projects within the 6th EU Framework Programme. The Slovak R&D Agency announced the first calls for projects (for VAT cost compensations) on 31 May. In terms of use of ICT, the “Internet for All” project was launched together with the creation of the Clearing Centre. The objective of this project was to increase broadband internet access penetration and IT literacy of young people with a contribution from the state. In the field of “education” with the objective to support the mobility of students, Ph.D. students and pedagogic and scientific staff the national scholarship programme was launched on 19 April 2006. On 18 April 2006 a services and funding agreement between SAIA (The Slovak Academic Information Agency) and the Ministry of Education was signed providing a legal basis for the implementation of the programme through an independent institution.

4.27 UK - United Kingdom (2000-2006)

Table 28 Reforms in United Kingdom

	Market integration	Competition policy	Sector specific regulation	Start-up conditions	Improving the (small) business environment	R&D and Innovation	Education	Total
2000	1	0	8	0	3	7	1	20
2001	1	1	2	3	5	0	0	12
2002	0	4	4	0	7	5	4	24
2003	1	0	3	0	2	0	1	7
2004	0	1	0	1	3	4	2	11
2005	0	0	0	2	3	1	1	7
2006	0	0	2	1	7	2	4	16
Total	3	6	19	7	30	19	13	97

MICREF covers the period 2000-2006 for the United Kingdom.

In the year **2000** the following reform measures in the microeconomic area have been recorded. In the area of public procurement a new UK Government body, the Office of Government Commerce (OGC), was formed on 1 April 2000 to enable and facilitate reform of commercial activities across UK Government. The OGC was to provide a greater sense of direction in procurement and ensure the adoption of best practice approaches in the public sector. In the telecommunication sector OFTEL put a condition in British Telecom’s licence requiring it to unbundle its local loop to allow other operators access to its copper wires and introduce their own network upgrades.¹⁵ This condition came into effect on 8 August 2000. Moreover, UK decided to establish a unified regulator for communications, as announced in the Communications White Paper in December 2000. In postal services a number of regulatory changes were adopted. The Postal Services Act 2000 gave the Post Office more commercial freedom to enable it to become more competitive and more responsive to market development, technological change and customer demands. The act provided for it to become a company wholly owned by the UK Government. An independent regulator, the Postal Services

¹⁵ The Office of telecommunications was the former UK regulator for the telecommunications industry.

Commission (PSC) was established to oversee service standards, regulate prices, ensure the universal service obligation is met, consider the size of the sector of the market which may be reserved, and licence postal services within the reserved area. This regime regulates a market for letters weighing less than 350 grams and costing less than GBP 1. Moreover, a new Consumer Council for Postal Services was established to promote the consumer interest in the postal market. In the energy sector a sound regulatory framework for gas and electricity markets was created by the Utilities Act 2000. One of the main provisions of the act was to set up a new, unified energy regulator, the Gas and Electricity Markets Authority, whose principal objective is to protect the interests of consumers, wherever appropriate, by promoting effective competition. In order to increase the regulator's effectiveness, the act included: powers for the regulator to impose financial penalties on companies that breach their licence conditions; provisions for standardisation of companies' licence conditions; and a procedure for collective modification of these conditions where necessary. The act also created an independent Gas and Electricity Consumer Council (known as Energywatch) to act as a vigorous advocate on behalf of consumers. In October 2001, major provisions of the Utilities Act were implemented to provide for the separation of electricity supply and distribution activities, barring the same legal person holding both an electricity supply and an electricity distribution licence. In air transportation UK's National Air Traffic Services (NATS) was enshrined as a Public-Private Partnership (PPP) outside the public sector by the Transport Act 2000. The transaction was completed in July 2001. The Civil Aviation Authority (CAA) became the independent economic regulator for NATS as well as for UK airports. Regarding the regulations of public local transports the Transport Act 2000 gave local authorities the tools to meet some of the Ten Year Plan targets, for example they can introduce urban congestion charging or work place parking levies and can help to meet bus targets with quality bus partnerships. Aimed at improving the quality of regulations the UK Government has produced revised guidance on the preparation of Regulatory Impact Assessments. Changes included placing a greater emphasis on providing clear guidance, on identifying non-regulatory options and on making clear the benefits of proposals. The guidance also made clear that the Small Business Service (SBS) must be consulted on proposals that will affect small businesses. The Electronic Communications Act 2000 implemented much of the Electronic Signatures Directive. The act is technology neutral, enables electronic signatures to be admissible as evidence in courts, and, together with the Finance Act 1999, enabled existing legislation to be amended to facilitate the use of electronic signatures. The act took powers to establish a voluntary approvals scheme for commercial cryptographic service providers. The area of business support services saw in April 2000, the establishment of the Small Business Service (SBS) to provide a strong voice for small business at the heart of government, to ensure that support is targeted effectively at dismantling barriers to enterprise and growth and to assist small businesses with regulation. The SBS acts as a single 'gateway' in delivering these services to SMEs. It has the right to include its views in the published Regulatory Impact Assessments and its Chief Executive has direct access to the Prime Minister and sits on the Panel for Regulatory Accountability. The SBS aims to enshrine the 'think small first' approach in the regulatory culture. It seeks to be involved from the start in policy formation likely to impact on small firms, to ensure quality and timely consultation, alternatives to regulation when appropriate, sensible regulatory timetables,

appropriate enforcement and easy to follow and timely guidance for small businesses. Under the policy domain “knowledge-based economy” the following reform measures have been recorded. In the 2000 Spending Review, the Government added GBP 735 million to the Science Budget (increasing the budget from GBP 1.74 billion in 2001/02 to GBP 2.13 billion in 2003/04). In July 2000, the UK Government published a Science and Innovation White Paper reinforcing its commitment to the excellence of the UK science base and to expanding opportunities for innovation. The White Paper included a large number of measures, the most significant of these being: a) a new GBP 1 billion programme in partnership with the Wellcome Trust to maintain the UK’s science infrastructure at the leading edge; b) a GBP 250 million boost for research in key new areas like genomics, e-science and basic technology; c) the establishment or intensification of measures to enable and incentivise scientists, engineers and business people to make use of science and technology to gain competitive advantage - including a permanent third stream of funding for universities (amounting to GBP 140 million over three years) alongside research and teaching funds, to help encourage universities to work more effectively with business. Also fiscal incentives were fostered to encourage companies to invest in innovation. To this end the UK Government introduced a series of new measures in Budget 2000. The Government also published new guidelines on what constitutes R&D for tax purposes, giving both large and small companies a clear and comprehensive statement. In addition to those measures the R&D Tax Credit for small firms was introduced and allowed for tax relief for usual R&D spending in two forms - an increase in tax deductions on R&D capital expenditure from a usual 100 per cent to 150 per cent; or a payable R&D tax credit for companies not in profit (cash payment of GBP 24 for every GBP 100 spent on qualifying R&D). A number of reform measures aimed at enhancing the use of ICT. In order to respond to the key challenges summarised in the UK ‘Online Annual Report’, the UK announced a) aiming for 6,000 UK Online Centres offering access to the Internet in the community by 2002; b) a network of UK Online for Business advisers providing support and advice for small businesses; c) working with the private sector on trust issues; d) providing incentives for the commercialisation of research through schemes such as the Higher Education Innovation Fund (HEIF) and a further round of the University Challenge Competition to provide ‘seedcorn’ funding for commercialisation of research. In order to respond to the skills challenges, the UK has announced a) a GBP 1 billion investment programme for schools ICT over three years; b) a target of at least 75 per cent of 14 year olds having not only basic computer skills but also being able to master electronic information, using new technologies in their studies; c) free training in basic ICT skills will be available free for people such as the unemployed and people with very low skills. In order to address knowledge transfer the UK Government established a new Higher Education Innovation Fund worth GBP 140 million over three years. In schools, the revised National Curriculum was introduced in September 2000. It recognised the key role that ICT has both in the development of pupil’s individual skills and in preparing them to participate in competitive world economy. It has been made compulsory for pupils to be taught ICT from age 5 to 16, either as a separate subject or through pupil’s use of ICT through other subjects.

In **2001** the following reform measures have been recorded for the UK. In February 2001 the Office of Government Commerce (OGC) launched the Gateway Programme to

deliver value for money improvements in major government construction, IT and public finance initiative projects. The OGC Gateway programme has been designed to provide structured, independent reviews of procurements throughout the project cycle. An extra GBP 7 million of funding for 2001/02 and GBP 17.5 million for 2002/03 was provided to the Office of Fair Trading (OFT) in order to deliver a radical programme of change. In the electricity sector the New Electricity Trading Arrangements (NETA) replaced the Electricity Pool as the wholesale electricity market in England and Wales in March 2001. By establishing a market based on bilateral contracts, NETA introduced genuine competition into wholesale electricity trading. For the water sector in March 2001 the UK Government announced proposals to boost the opportunities for competition in the water industry in England and Wales, bringing customers the prospect of more choice, keener prices and better services. The announcement proposed to license new entrants into the market for production and retail activities. Companies were given clearer rights to enter the water market, providing the opportunity for innovation and efficiency gains to give customers better deals. In the area "business environment and entrepreneurship" the following reform measures have been recorded. The chances of business start-ups and early stage SMEs surviving and growing have been boosted by a new GBP 75 million business incubation fund. The fund was opened by the SBS on 1 October 2001 and contributes to the financing of incubation projects to help a wide variety of business start-ups. Moreover, the Government announced in February 2001 a new programme of Early Growth Funding (to be operational from 2003), committing up to GBP 50 million to help a minimum of 1,000 businesses over three years. This programme was to stimulate the supply of risk capital for start-ups and growth firms. Early Growth Funds help provide small amounts of risk capital - for example GBP 50,000 - in businesses' early stages, complementing the larger amounts available from the Regional Venture Capital Funds and other sources. The Government adopted further measures aimed at improving the access to finance. Among those were: a) GBP 20 million in match funding for the GBP 40 million Community Development Venture Fund. The fund was to foster entrepreneurship and business success in our most deprived areas; b) plans to introduce a Community Investment Tax Credit. The aim was to increase the flow of private sector funding to enterprises in disadvantaged communities; c) Government supported 114 enterprise projects in disadvantaged communities with offers of assistance totalling GBP 39 million from the Phoenix Fund; d) Government announced further round of assistance worth GBP 15 million for CDFIs. Furthermore, to help plug the 'equity gap' faced by small firms seeking finance to boost growth, the Government supported Regional Venture Capital Funds (RVCFs) in every region. The funds operate as public/private partnerships, with the Government investing up to GBP 80 million and the European Investment Fund up to GBP 60 million. Regarding reforming insolvency rules in the July 2001 White Paper Insolvency - A second Chance, as part of the Enterprise Bill, the Government committed to take forward reforms, including a) a new regime under which the cost and stigma were to be substantially reduced, while the sanctions to protect against the dishonest and unscrupulous were to be reinforced; b) improving the prospects for company rescue by ensuring that company insolvency is conducted in the interests of all creditors, both secured and unsecured, and through an updated and streamlined process of administration; c) ending Crown preference, which enables certain tax debts to be paid first in an insolvency. Aimed at improving the quality of regulations in April

2001 the Regulatory Reform Act came into force. The act enabled Ministers to use secondary legislation (Regulatory Reform Orders) to reform primary legislation in order to remove or reduce compliance costs. The act helped to tackle over-complex, overlapping and over-burdensome legislation and has been applied to reform fire safety laws, simplifying laws about weights and measures, and allowing schools to provide out-of-school childcare for their own pupils and other children. A package of measures also was carried out as regards the VAT system. It was designed to allow small and newly-registered businesses to manage their entry into the VAT system, reduce the administrative burden of VAT and improve their cash flow through measures such as a) raising the VAT registration threshold to GBP 54,000 from GBP 52,000; b) creating a new consolidated turnover limit at GBP 600,000 for small businesses to allow more traders to qualify for the cash and annual accounting schemes; c) introducing an optional flat-rate scheme in Budget 2002, under which more than 300,000 small businesses can avoid having to account for VAT on each individual purchase and sale, cutting their compliance costs by up to GBP 1,000 per year; d) introducing changes in Budget 2002 to simplify and increase participation in the VAT annual accounting scheme, which offers improved cash flow and lower compliance costs to around 900,000 businesses; e) pressing ahead with reforms to the VAT penalties system to ensure that small businesses are first offered advice and support when they are late with payments, rather than facing an automatic penalty; f) establishing an outreach business support programme, through which HM Customs and Excise will offer proactive advice and support to businesses before they get in to difficulties. In terms of business support services in June 2001, the Government announced that SBS would consult on a comprehensive strategy to bring together the different activities designed to support business start-ups. Development of this strategy formed a major part of the Government's cross-cutting review of services to small business in preparation for the 2002 Spending Review.

2002 saw the following reform steps. In order to empower consumers a national telephone consumer help-line, Consumer Direct, was developed with GBP 30 million of Government funding. In order to enable the UK competition authorities to fulfil their new role under the Enterprise Act - including full independence - Spending Review 2002 increased resources for the Competition Commission. Moreover, the Government increased the resources for the Office of Fair Trading (OFT) by 50 per cent from the level allocated in the 2000 Spending Review for 2002-03, from GBP 34 million to GBP 52 million. The reforms introduced by the Enterprise Act 2002 provided the OFT with a duty to be more pro-active in promoting competition and identifying those markets where competition may be distorted or restricted. It also improved the mergers regime and introduced a new legal framework for market investigations in which criminal sanctions can be imposed on those engaged in hard core cartels. The new provisions came into effect in spring 2003. Under the Enterprise Act, also professions became subject to the same competition rules as other sectors of the economy. In the gas and electricity sectors price controls were removed from domestic gas and electricity supply in April 2002. In the water sector following a public consultation in summer 2002, the Government introduced greater competition in the supply of water for large commercial users in England and Wales, to encourage further innovation, greater efficiency and keener prices. The proposals foresaw new entrants licensed to compete with the appointed statutory

water undertakers by using their own source of water, assessing the statutory undertaker's network to transport the water to a customer or by buying water from the statutory undertaker to supply a customer. In retail banking following an inquiry by the UK Competition Commission into the supply of banking services to SMEs, Ministers accepted in March 2002 a number of recommendations designed to improve competition in this market. These measures, which came into effect in October 2002, were to ease the process of switching accounts and a requirement, which came into force on 1 January 2003, for the largest four banks to pay interest or offer free banking on SME current accounts in England and Wales. In the area of "business environment and entrepreneurship" we have seen a number of measures adopted by the Government. The access to the Small Firms Loan Guarantee Scheme was extended to include previously excluded sectors including retail and catering. Moreover, the GBP 40 million (GBP 20 million Government investment and GBP 20 million private investment) "Bridges Community Development Venture Capital Fund" was launched in 2002 and invested in businesses in disadvantaged areas that create local jobs, provide services to the local community and stimulate a local supply chain. As regards "administrative regulation" the Regulatory Impact Assessment (RIA) process has been amended to include the need to consider the impact that new and existing regulations can have on competition. There was increased prominence of sustainable development issues, and additional guidance on the Small Firms Impact Test and on alternatives to legislation. In February 2002, a Regulatory Reform Action Plan was published. The wide-ranging Plan covered reforms across all sectors, it brought together 268 proposals for change to benefit businesses, particularly small businesses, charities and the voluntary sector, the wider public sector, and individual citizens. The measures in the Plan were to be delivered through a variety of means, including primary legislation, regulatory reform orders and revisions to regulations as well as through better guidance, simplification of administrative processes or electronic delivery. In the area of business taxation the following regulatory changes took place, mainly provided for in Budget 2002. The Government introduced a new regime for taxation of intellectual property, goodwill and other intangible assets to encourage companies in the new knowledge-based economy; and an exemption for gains on most substantial shareholdings. As in 2001 the Government implemented a further package of measures designed to help small businesses manage their entry into the VAT system, reduce VAT compliance costs and improve small business cash-flow among them being a) increasing the VAT registration threshold from GBP 54,000 to GBP 55,000; b) opening up and simplifying the annual accounting scheme, by removing the twelve-month qualifying period from registration before businesses with a turnover of up to GBP 100,000; c) introducing a new optional flat rate scheme for small business, allowing companies with a turnover of up to GBP 100,000 to calculate their VAT payment as a given percentage of their total taxable turnover. The scheme has been extended to more small businesses (with a turnover up to GBP 150,000) from April 2003; d) reforming the VAT penalty regime from April 2003, to ensure that when businesses with a turnover up to GBP 150,000 are late with VAT payments, they are first offered advice and support before facing automatic fines; and e) simplifying the bad debt relief scheme so that businesses seeking bad debt relief are no longer required to send a letter to debtor customers notifying them of the claim. Finally, Budget 2002 also reduced the small companies' rate of corporation tax to 19 per cent and the starting rate of

corporation tax from 10 per cent to zero, providing further support to new and growing companies. Further reform efforts in 2002 focussed on the policy fields “R&D and innovation” and “education”. The Spending Review 2002 settlement included an increase in resources for knowledge transfer from the science base of GBP 20 million (2003/04), GBP 36 million (2004/05) and GBP 50 million (2005/06) from a baseline of GBP 64 million in 2002/03 to GBP 114 million in 2005/06. This included an expansion of the Higher Education Innovation Fund. Moreover, in July 2002 the Government published “Investing in Innovation: A strategy for science, engineering and technology”. The strategy took forward the recommendations of the cross-cutting review of science and research and the Roberts review on the supply of scientists and engineers. It set out substantial extra investment in the UK’s science and engineering research base, measures to improve to help translate research outputs into innovation, and measures to improve the supply of people with skills in science, engineering, mathematics and technology. An extra GBP 1.25 billion per year by 2005 was to be invested in measures including additional funding for science and engineering research, better stipends and salaries for Research Council Ph.D. and postdoctoral researchers, investment in school laboratories and teaching support, and an increased funding for the Higher Education Innovation Fund for knowledge transfer activities. The tax credits for R&D have been extended in 2002 to large companies and subsequent Budgets have announced further improvements to the schemes, resulting from Government’s continuing dialogue with business. For small and medium sized companies the tax deduction for R&D was increased from the usual 100 per cent to 150 per cent. Large companies were given a 125 per cent deduction. With a view to improve ICT infrastructure in November 2002, the Government launched the UK Broadband Task Force whereby a broadband expert was introduced in each of the English regions and devolved Administrations to stimulate economic development and enhance the delivery of public services through the extension of regional and local broadband services. The “Laptops for teachers” scheme was launched with comparable considerations. Launched in 2002, it equipped 100,000 teachers over the following two years. Also in the area of education the Government showed commitment for reform. The Government has reformed the Modern Apprenticeships scheme which included: a) a target for 2004 that 28 per cent of young people should enter an apprenticeship by the age of 22; b) an entitlement from 2004 to an apprenticeship place for all 16 and 17 year olds with 5 or more General Certificates of Secondary Education including maths and English; c) a national framework to ensure world class standards with a network of high quality Apprenticeship Agents to help more employers deliver apprenticeships; d) three year marketing campaign to promote apprenticeships to young people and increase take up; e) a national modern apprenticeship taskforce to champion the MA scheme and report on key policy issues. Moreover, the Government introduced new measures to encourage more young people to stay in education and training after the age of 16. As announced in Spending Review 2002 this included rolling out the “Education Maintenance Allowance” (EMA), which provided young people staying in education after 16 with support of up to GBP 1,500 per year from September 2004. Furthermore, the Government provided GBP 60 million in 2005-06 for the objective that by 2005/06 every secondary school can offer 5 days’ enterprise activity to pupils. In preparation of this scheme the Government decided to test a number of approaches through pilot schemes, allocating GBP 5 million in 2003-04 and GBP 10 million in 2004-05. Spending Review 2002 also allowed for

sustained rises in funding for teaching and provided for the largest sustained growth in spending on science for a decade, with some GBP 1.25 billion additional spending by 2005-06 compared to 2002-03.

2003 the following reform measures have been undertaken in United Kingdom. The OGC provided an action plan in December 2003 entailing what further steps could be taken to increase competition and encourage better long-term capacity planning in markets where the Government possesses significant purchasing power. In postal services, in January 2003, the postal regulator, Postcomm, issued the first bulk mail licences as part of a three phase opening of the postal market intended to remove all restrictions on entry from 1 April 2007. The Water Act 2003 introduced competition to non-household consumers who use large quantities of water. In the area of professional services the “Companies (Audit, Investigation and Community Enterprise) Bill” introduced in December 2003 took forward recommendations from the Swift Review into the reform of regulation in the auditing profession and from the coordinating group for Accounting and Audit. These improvements enhance auditor independence and strengthen financial reporting. In the policy domain “business environment and entrepreneurship” in Budget 2003, the Government brought in a series of reforms aimed at improving the operation of both the SME and large company credits. This included reducing the minimum expenditure threshold to GBP 10,000, extending the coverage of credits to agency workers as well as expanding the large company scheme to include SMEs unable to claim the tax credit (such as SMEs already in receipt of a state aid to assist their R&D). Another measure in Budget 2003 was the establishment of a GBP 1 million “Enterprise Promotion Fund” which has made awards to 20 organisations. Furthermore, GBP 16 million have been provided over two years to fund Enterprise Advisors to work alongside headteachers in around 1,000 secondary schools in deprived areas to encourage enterprise practice among teachers and pupils. These advisors were funded from existing Learning and Skills Council (LSC) resources, accessed through the network of Education Business Links Consortia.

Also in **2004** reforms have been carried out in United Kingdom. The Enterprise Act 2002 introduced the so-called super complaints process aiming to strengthen the voice of consumers. Any individual or body can still bring complaints to the OFT and the OFT deals with them, but super-complaints give an initial “fast-tracking” into the system to ensure that complaints about market failures which harm consumers, are given consideration within a fixed time. The OFT has a duty to respond to super-complaints within 90 days. The first super-complaints bodies - the Consumers’ Association, National Consumer Council and Citizens Advice were designated on 14 July 2004. Regarding access to finance for start-up companies Budget 2004 addressed structural factors contributed to volatility in fundraising for Venture Capital Trusts (VCTs). The annual investment limit for VCTs for both the relief for new shares and shares in issue was doubled to GBP 200,000; and raising, also to GBP 200,000, the annual limit on the size of investment eligible for income tax relief under the Enterprise Investment Scheme (EIS); withdrawing capital gains tax deferral relief for investments in VCTs in favour, in the long term, of an enhancement of equivalent value to the incentives to invest through income tax relief for new subscriptions to VCT shares; and in the short term, to provide a

temporary additional stimulus to investment in VCTs for a period of only two years, by increasing the effective rate of income tax relief from 20 per cent to 40 per cent. Regarding business support services a new online directory of training and support packages for SMEs has been successfully launched at www.businesslink.gov.uk which was promoted in partnership with the main high-street banks. The site offers a range of online courses and a directory of 750,000 other courses across the UK that can help businesses to succeed. The website is to be a one-stop shop where businesses can access advice on starting-up, regulatory requirements, exporting, accessing finance for growth, and other information. Moreover, in June 2004 “Enterprise Insight’s campaign” was launched. The campaign was to create a step change in the enterprise culture of the UK. The role of the Regional Development Agencies (RDAs) was enhanced through the 2004 Spending Review transfer of around GBP 200 million a year from 2005-06 from Government departments to the RDAs. These transferred resources enabled the RDAs to take on new responsibilities including a) devolved responsibility to the RDAs for delivery of Business Link services from April 2005; b) devolved regional funding as part of the extension of the Phoenix Fund and new responsibilities for the delivery of R&D Grants to promote enterprise in disadvantaged areas; c) enhanced role of the RDAs in supporting business-university collaboration; d) devolved additional resources to the RDAs to meet rural socio-economic objectives. In the policy domain “knowledge-based economy” the 2004 Spending Review gave a boost to publicly funded R&D, allocating an additional GBP 1 billion for science funding in the UK by 2007-08, funding key measures to secure the sustainability of the science, improve the translation of research into innovation by business, ensure a strong supply of skilled scientists and engineers and improve the responsiveness of the research system. In July 2004, the Government published a ten-year Science and Innovation Investment Framework, which set a target for the UK’s public and private investment in R&D to reach 2.5 per cent of GDP by 2014. The ten-year framework set out a number of long-term policies based around six broad themes to improve the UK’s R&D and innovation performance. The six themes focus on maintaining the UK as a centre for research excellence; making research more responsive to the needs of the economy; increasing business investment and engagement; addressing shortages of scientists, engineers and technologists; increasing public engagement; and promoting science and innovation across government. In terms of management of R&D in October 2004 the Technology Strategy Board (TSB) was set up. TSB is a business focused organisation that advises the Government on business research; technology and innovation priorities for the UK; the allocation of funding to these priority areas; and the most appropriate form of intervention to support them. The board aims to support key technologies and develop Innovation Platforms, which require collaboration across Government to help solve major innovation challenges. In order to help companies understanding and claiming the R&D tax credit more easily, the Inland Revenue produced and disseminated more comprehensive guidance material to companies, their advisers and tax inspectors. In the educational sector, budget 2004 announced the intention to have a Children’s Centre in all of the 20 per cent most deprived wards in England by 2008, moving towards the goal of a Children’s Centre for every community. This would make “Sure Start” services available to 56 per cent of poor children who live in these disadvantaged areas.

During **2005** the following reform measures have been adopted. In conformity with the Enterprise Act 2002 further super-complaints bodies were designated in 2005 - Energywatch and Watervoice in January, Postwatch, CAMRA and the General Consumer Council of Northern Ireland in October 2005.¹⁶ Two reform measures focussed on “start-up conditions”. In particular steps were made to tackle market failures in the supply of risk capital including the establishment of the Enterprise Capital Funds (ECFs) which invests a mixture of public and private capital in companies whose needs are not addressed. The first round of competitions (Pathfinder Round) was launched in July 2005. With the same objective also the enhanced Small Firms Loan Guarantee (SFLG) scheme was launched in December 2005. Further measures have been launched addressing the small business environment. An Action Plan was published in May 2005 (Better Regulation Action Plan) which set out the timetable for implementing the wide-ranging reforms to the UK’s regulatory framework. Moreover, the guidelines for conducting RIAs were updated and strengthened in 2004 and 2005. This reinforced the need for RIAs to address enforcement, compliance and monitoring of new regulations as well as the impact on public services. Additionally, RIAs are required to include an implementation and delivery plan and to set out the extent of postimplementation review. From May 2005 RIAs must also include information on any plans to simplify existing requirements for those affected by the new regulation. The Prime Minister’s Panel for Regulatory Accountability has been established to hold departments to account for their regulatory performance. In November 2005 the Government published a strategy for transforming public services using technology to stimulate e-government and to create conditions for e-commerce to flourish. The implementation plan for the strategy was published in March 2006. In the area of the “knowledge-based economy” the Government announced a package of major improvements to its administration. HM Revenue and Customs (HRMC) therefore created dedicated R&D units by the end of 2006, to develop expertise and handle all SME R&D tax claims. Budget 2006 also announced additional R&D tax credit support for companies with 250-500 employees.

Reform activities in the microeconomic area in **2006** focussed on the following areas. In postal services Postcomm opened up the UK mail market to competition in January 2006, ahead of the proposed EU Directive timetable. In the water sector the water regulator, Ofwat, established a regime to enable water providers to compete to supply large water users. Under the policy domain “business environment and entrepreneurship” the following reform steps have been undertaken. Budget 2006 announced an increase of GBP 100 million to the Enterprise Capital Funds (ECF) programme which was launched in July 2005. A further GBP 50 million were intended to be allocated in 2006-2007 and GBP 50 million in 2007-08. In terms of administrative regulation, following the recommendation of the Better Regulation Task Force (BRTF) to adopt best practice from the Netherlands, the Government measured the total administrative burden to business of complying with government regulations and agreed targets for reducing burdens with departments. Moreover, the “Legislative and Regulatory Reform Act” aimed to make it quicker and easier to tackle unnecessary or over-complicated regulation and help bring about a risk-based approach to regulation. This measure was foreseen by the “Better Regulation Action Plan” published in May 2005. The Bill was introduced to the

¹⁶ “Campaign for Real Ale” (CAMRA) is campaigning for real ale, pubs and drinkers’ rights.

Parliament on January 2006 and received Royal Assent on November 2006. A number of reforms took also place in the area of taxation. In terms of the VAT Annual Accounting Scheme, the Government has increased the turnover threshold up to which businesses can take advantage of the scheme, from GBP 660,000 to GBP 1.35 million from 1 April 2006, thereby opening the scheme to a further 80,000 eligible businesses. Moreover, at Budget 2006, HM Revenue and Customs (HMRC) announced a programme for streamlining the tax system which included: a) reducing the administrative burdens on business of dealing with HMRC forms and returns by at least 10 per cent over 5 years; b) reducing the administrative burden on business of dealing with HMRC's audits and inspections, by 10 per cent over three years and at least 15 per cent over five years; c) launching a new business-led Administrative Burdens Advisory Board to propose and develop reforms to administration of the tax system; and d) examining the scope further to align income tax and national insurance systems in order to improve outcomes for the low paid and to reduce burdens on employers, particularly SMEs. Regarding tax rates Budget 2006 announced a new 30 per cent rate of income tax relief for investments in Venture Capital Trusts (VCTs), to help ensure that the VCT industry has a solid foundation for stable fundraising and continued growth. The Government also increased the minimum holding period for new shares in VCTs to five years. Furthermore, the Government has phased out payment of the Working Tax Credit via employers, with some 1.2 million small businesses benefiting from this reform. The Government also increased the first-year capital allowance for investment in plant and machinery by SMEs: for 2006-07, this increased to 50 per cent. In addition the individuals' annual investment limit in the Enterprise Investment Scheme (EIS) eligible for income tax relief has been doubled from GBP 200,000 to GBP 400,000. In terms of business support services all nine Regional Development Agencies rolled out the High Growth SME Coaching Scheme, a structured programme of intensive coaching and assistance for high-growth SMEs, on a phased basis since April 2006. The scheme will be scaled up in every region in the coming years to improve coverage and maximise impact. In the area of "R&D and innovation" new policy proposals have been made to maximise the economic impact of additional public investment in science on business innovation, and to create greater incentives for businesses to collaborate with the science base. These new measures build upon the ten-year "Science and Innovation Investment Framework". Via a new procurement portal launched in March 2006 (www.supply2.gov.uk) SMEs have been enabled to access government extra-mural R&D opportunities with a value below GBP 100,000. Contract opportunities include those provided by the Small Business Research Initiative (SBRI) launched in 2001 to increase the success of smaller businesses in obtaining R&D contracts from government bodies. Each government department aims to place 2.5 per cent of extra-mural R&D contracts with SMEs, to encourage small firms to undertake high-risk R&D. In the policy field "education" the Government launched several initiatives in April 2006 to improve access to skills for young people. "Learning Agreement pilots" will invest GBP 80 million over two years in increased access to training options for 16 to 17 year-olds who are in employment with no training. Activity Agreements and Allowance pilots will invest GBP 60 million over two years to provide financial support and a route into learning or work for 16 or 17 year-olds who have been out of education, employment and training for more than 20 weeks. Both the Learning Agreement pilots and the Activity Agreements and Allowance pilots have the specific

aim of increasing participation. In order to help young people develop the enterprise skills and aspirations necessary to start up and grow their own business, and in order to bring a more innovative approach to the workplace, the Government took the following steps in 2006: a) creating Schools Enterprise Education Network (SEEN) as part of the GBP 60 million roll out of enterprise education to all pupils at key stage 4 (age 14-16); b) creating 23 enterprise summer school pathfinders to be delivered by Young Enterprise to 1,000 pupils across the UK in summer 2006. Moreover, the Government set out a comprehensive programme of reform to transform the English further education system in the White Paper “Further Education: Raising Skills, Improving Life Chances”. Following the publication of the Further Education White Paper, a free entitlement to tuition for first, full level 3 qualifications for those aged 19-25 will be implemented, alongside an expanded “Adult Learning Grant”, from 2007-08. A programme of learner accounts, focused on level 3 skills acquisition, will also be trialled, which aim to give learners greater choice and control over their learning. In order to help young people develop the enterprise skills and aspirations necessary to start up and grow their own business, and in order to bring a more innovative approach to the workplace, the Government launched in 2006 the Entrepreneurship Fellows Scheme for outstanding UK university students, which includes a six month placement in the US.

5 Discussion and issues

This short section shall summarise the main experienced gained from working with MICREF data and highlights some issues for the further development of the database.

5.1 *Working with the data*

Description of reform measures

The Cardiff Reports, National Reform Programmes and their implementation reports were considered as the main information sources to fill the database. The information contained in those reports is often forward-looking. Since the description of the reform measures is taken as it is reported in those documents, also the description of reform measures contained in the MICREF database can be rather forward-looking.

Second, if earlier reports contained information on provisions of regulatory changes to happen in future, more recent reports do not always follow up on the regulatory change in the sense which provisions have been finally implemented. For this reason, the descriptions of some reform measures do not provide the most recent information, in particular if the follow-up on the reform measure has not been addressed in subsequent reports. The description of the reform activity by Member State and date of adoption as made in this report aims to keep track and follow up of the reform measures introduced in the database. If there is more recent or more detailed information available as compared to the presentation in this report, information provided in the database for a specific reform measure should be updated.

Moreover, the general descriptions for reform measures vary in level of detail and comprehensiveness. Some Member States submitted very comprehensive reports with detailed information on reform measures whereas others did not. This causes also variation in the scope of the descriptions of the reform activity of the Member States in this report.

The concept of microeconomic reform

The present report is also to contribute to a more common understanding of the types of microeconomic reforms. The definition in the user guide leaves some room for interpretation. As a consequence, one Member State (or data compiler) may consider reform measures which another Member State (or data compiler) would not consider. Describing in detail the reform measures currently stored in MICREF can contribute to a more complete and comparable dataset e.g. if reform measures not yet recorded in MICREF are added to the database later on.

Date of adoption versus date of implementation

In the present report reform measures were categorised by Member States by the date of adoption. This is date when a measure was finally approved. For the purpose of providing a picture of implemented reforms one could also consider the date of implementation, i.e. the date at which the measure has been finally implemented or went into force. The current rate of data completion, however, is lower for the date of implementation, so that we preferred to consider the date of adoption as criterion to categorise reform measures. The descriptive feature “date of adoption” is a mandatory field, i.e. without this information being provided, a reform measure is not considered in the database.

5.2 *What we can observe?*

The descriptions of reform activity by Member State provide some evidence for a number of common factors that drive reforms across the Member States. EU policies have often been drivers for reform in the Member States, in particular in the electricity and gas sectors in which EU Directives have set an overall regulatory framework. This is also true for other areas of reform.

Furthermore, we can observe that new Member States adopted a number of reforms that brought national legislation in line with the “*acquis communautaire*” or in other words they caught up to European regulations. Measures to develop infrastructures have often received co-financing by EU Structural Funds.

Moreover, we see in all Member States efforts to assess and reduce administrative burdens and to improve the innovation capacity. In this regard all Member States showed commitments to increase investments for R&D, although they largely differ in their initial starting levels and most of them may not achieve the 3 per cent target by 2010. In the field of “education” we saw measures aimed at bringing national education system inline with the Bologna process and reducing school drop-outs.

6 Conclusions.

The European Commission launched in summer 2008 the MICREF database that systematically collects information on undertaken microeconomic reforms by EU Member States in the context of the Lisbon Strategy. Ahead of the 10th anniversary of the Lisbon Strategy, this report provides for the first time a detailed overview of the reforms stored in the MICREF database by Member State and year of adoption of the reform measure.

Due to the variety of shapes microeconomic reforms can take, it would be misleading to focus on the number of reforms if reform efforts across Member States are to be compared. For this reason a quantitative exploitation of the database should be complemented by qualitative description of the reforms adopted. The latter is covered in this report.

Currently data are validated by Member States' authorities for the period 2007 and 2008. The experience gained while working with the data showed that descriptions for some measures need some updating or some more detailed information in order to achieve a better insight about the most important features of a given reform. Since so far no detailed overview of the MICREF database was available, comparing reform efforts across Member States are difficult. By describing the information contained in the database this report can contribute that issues like the level of detail in reporting reforms, or the understanding of what are microeconomic reforms can be addressed more effectively and thereby achieving a even more comprehensive description of Member States' undertaken reform measures in the context of the Lisbon Strategy. A second volume of this report may include a further extended time span (for instance including the measures adopted to address the financial crisis) and also updated and more detailed descriptions of the undertaken reform measures.

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Abstract

The European Commission has launched in summer 2008 a database on microeconomic reforms - MICREF - that systematically collects data on the reforms undertaken by EU Member States in the context of the Lisbon Strategy. The present report for the first time provides a detailed description of the reforms by Member State and by year of adoption. This allows keeping track of Member States' efforts in the microeconomic area. A second objective of the report is to present the database's state in a compact form and to contribute to its further development.

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